

**PUBLIC EMPLOYEES' RETIREMENT FUND
INDIANA**

**INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
STATEMENT OF BOARD GOVERNANCE**

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SECTION 1

PREAMBLE

Members of the Board of Trustees of the Indiana Public Employees' Retirement Fund ("PERF" or the "Fund") are fiduciaries and are subject to the statutory and common law duties of a fiduciary, as well as policies adopted by the board governing their conduct, including this Statement of Board Governance and the Board's Restatement of Investment Policy. The PERF Board of Trustees (the "Board") acknowledges its role as fiduciaries to the funds administered by PERF and that it must prudently administer these funds for the exclusive benefit of PERF members and their beneficiaries. The purpose of this Statement of Board Governance is:

- 1) To set forth the Board responsibilities provided in the Indiana Code, the Indiana Administrative Code, and Board-approved policies, as well as the Board duties and proscriptions provided under federal law;
- 2) To set forth those responsibilities that have been delegated by the Board; and
- 3) To facilitate the organized, efficient, and cohesive functioning of the Board.

The mission statement of PERF is: We are committed to serve – through exceptional customer service – our employers, our members and their families, in achieving their retirement goals and financial security. The Board is dedicated to seeing that the Fund accomplish this mission.

SECTION 2

INTRODUCTION

a. Description of PERF

PERF was established in 1945, to provide retirement, disability, death, and termination benefits to present and former members and their beneficiaries who meet the statutory requirements for such benefits. Members include employees of the State and employees of other governmental units who have adopted resolutions joining PERF (including cities, towns, counties, and other governmental units). Pursuant to Indiana law and the Internal Revenue Code, PERF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. PERF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code, in order to provide the ensuing tax advantages to its members. In addition, PERF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code. PERF is also governed by Indiana statutes and administrative rules. Among the governing Indiana statutes is the requirement that PERF be funded and maintained on an actuarially sound basis.¹

b. Description of Other Funds Subject to Board Control

The Board of Trustees of PERF (the "Board") is also charged with the administration and trusteeship of the following plans:

¹ See IC 5-10.2 and IC 5-10.3.

1. The 1977 Police Officers' and Firefighters' Pension and Disability Fund.² This Fund provides retirement, death and disability benefits (as established by law) for municipal firefighters and police officers hired on and after May 1, 1977, and their beneficiaries. It is funded through member contributions and an actuarially sound state-wide employer contribution rate.
2. The Judges' Retirement System, which includes the Judges' 1977 Benefit System and the Judges' 1985 Benefit System.³ This System provides retirement, death and disability benefits for all eligible judges. It is not actuarially funded and operates on a pay-as-you-go basis. Judges contribute 6% of their salary to the System.
3. The Legislators' Retirement System, which includes the Legislators' Defined Benefit Plan and the Legislators' Defined Contribution Plan.⁴ The Legislators' Defined Benefit Plan provides a unit benefit for years of service in the General Assembly prior to May 1989. That plan covers a "closed" group of members and a "closed" liability, in that no individuals elected to the General Assembly after April 1989 earn any benefit under this plan, and no years of service after April 1989 count for benefit accrual for anyone who is participating in that plan. The Legislators' Defined Contribution plan is a money purchase plan, with a fixed member contribution of 5% and a fixed state contribution of 20% each year. Those contributions go into a separate account for each member, which then provides an account balance payable under various circumstances (termination, death, disability or retirement). Beginning on January 1, 2009, the state's contribution shall be set by the Board each year and may not exceed the contribution rate plus annuity savings account contribution made by the state for the benefit of PERF members.
4. The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan.⁵ The plan provides retirement, death and disability benefits for all eligible excise police, gaming agents, gaming control officers and conservation officers. It is funded on an actuarially sound basis (with a 40 year amortization of the unfunded accrued liabilities). As of July 1, 2007, the members pay 4% of their salary and the state pays the remaining amounts, as actuarially determined.
5. The Prosecuting Attorneys' Retirement Fund.⁶ This fund provides retirement, death and disability benefits for all prosecuting attorneys, chief deputy prosecuting attorneys, state paid deputy prosecuting attorneys and certain positions in the prosecuting attorneys council. It is funded on an actuarially sound basis. The members pay 6% of their salary and the state pays the remaining amounts, as actuarially determined.

In addition, the Board is charged with administering the Pension Relief Fund, a separate fund created to provide benefits for eligible police officers and firefighters and their beneficiaries under the 1925 Police Pension Fund,⁷ the 1937 Firefighters Pension Fund,⁸ and the 1953 Police

² See IC 36-8-8.

³ See IC 33-38-6, 33-38-7, and 33-38-8.

⁴ See IC 2-3.5, IC 2-3.5-4, and IC 2-3.5-5.

⁵ See IC 5-10-5.5.

⁶ See IC 33-39-7.

⁷ See IC 36-8-6.

Pension Fund.⁹ These funds, distributed periodically directly to cities and towns to pay benefits, provide retirement, death and disability benefits for eligible individuals hired before May 1, 1977, as established by state law and local ordinances and decisions. The Pension Relief Fund is funded from proceeds from the state lottery, certain alcohol and tobacco taxes, and additional appropriations. There is a significant funding deficiency remaining at the city and town level under the three funds (the 1925 Police Pension Fund, the 1937 Firefighters Pension Fund and the 1953 Police Pension Fund) even though the covered population is "closed" as of May 1, 1977. The Pension Relief Fund relieves some of that deficiency by releasing dollars to cities and towns to cover benefits, through two release formulas.

c. **PERF Annuity Savings Account**

The Annuity Savings Accounts are accounts established for each member of PERF. The member's account is credited with the member's 3% contribution (whether paid by the member or "picked-up" by the employer). The member has limited investment direction to several alternative funds or may leave their account in the "guaranteed fund." The guaranteed fund affords the member a "passbook savings"-like or "risk free" protection on all contributions credited to that member's account, plus all previously credited interest (at an interest rate determined by the Board each year). These accounts produce an additional separate benefit from the fixed-formula employer-funded pension benefit.

d. **Description of Primary Statutory Investment Provisions**

The Indiana General Assembly enacted the prudent investor standard to apply to the Board and govern all its investments.¹⁰ In doing so, the General Assembly noted the following:

Whereas, the general assembly also believes that a prudent diversification of investments by public retirement funds is an essential element of a stringent investment standard for such funds and is critical for the future; and

Whereas, the general assembly finds that numerous actuarial studies of retirement funds in Indiana and other states have demonstrated that, due to the long term nature of the investments made by public retirement funds, diversification of such investments in a responsible manner reduces risk, increases income, and improves security for such funds, while a lack of diversification results in reduced income and increased risk to the retirement funds, while creating a substantial additional burden for the taxpayers who ultimately bear the burden of providing the assets for such funds in the absence of sufficient investment income; and

Whereas, the general assembly desires to pass a diversification rule patterned after the stringent federal law applicable to private plans, which will provide that the trustees of each fund must diversify the investments of their fund so as to minimize the risk of large losses.

⁸ See IC 36-8-7.

⁹ See IC 36-8-7.5.

¹⁰ See PL 37-1996.

Thus, the primary governing statutory provision is that the Board must "invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The Board is also required to diversify such investments in accordance with prudent investment standards.¹¹

A legal opinion dated May 19, 1997 from Fund counsel analyzes the Board's authority to make investments under the Indiana Constitution and concludes that there are no constraints under Section 12 of Article XI of the Indiana Constitution on the Board's authority to invest. Finally, the Board may not engage in any prohibited transaction, as described in Section 503(b) of the Internal Revenue Code.¹²

SECTION 3

RESPONSIBLE PARTIES AND THEIR DUTIES

a. Board of Trustees

The Board is the body of six persons whose role is to oversee all aspects of the operation of the Fund. Board members are appointed by the Governor to a four-year term.¹³ At least one Board member must be a Fund member with at least ten years of service; at least one Board member must be a member of the Fund or a retired member of the Fund, or a member of a collective bargaining unit of state employees represented by a labor organization, or an officer or member of a local, national or international labor union that represents state or university employees and an Indiana resident; the director of the budget agency or the director's designee is an ex officio voting member of the Board; and not more than three Board members may be members of the same political party. The Board members are fiduciaries of the Fund. Their responsibilities with respect to the assets of the Fund include completing each of the duties below as a prudent investor:

- Set the policies, objectives, and guidelines for the investment of the assets of the Fund.
- Study issues affecting the investment of the Fund so as to make educated and prudent decisions concerning this Policy.
- Select qualified professionals to assist in the implementation of this Policy.
- Evaluate the Fund's performance and compliance with this Policy.
- Review compliance with applicable state and federal laws.

¹¹ See IC 5-10.3-5-3.

¹² See IC 5-10.2-2-1.5(9). In general, a prohibited transaction means any transaction which results in a diversion of the income or corpus of the trust to a trustee, a family member of the trustee, or a corporation controlled by the trustee.

¹³ See IC 5-10.3-3-2.

- Evaluate performance of investment professionals and staff.

See Appendix K for the specific duties of the Board.

b. **Executive Director**

The Executive Director, a member of the Staff, is appointed by the Board, subject to the approval of the Governor. The Executive Director acts on behalf of the Board, and is responsible for performing duties as assigned by the Board, as well as for receipt of payments and deposits to the Fund, and payments from the Fund.

See Appendix O for the specific duties of the Executive Director.

c. **Staff of Fund**

The staff are those persons employed by the Fund. Staff duties are to administer the Fund in line with the policies and decisions of the Board and the provisions of state and federal law and to provide input for the Board so that issues can be studied fully prior to any Board decision. In addition, staff is responsible for interacting with the legislature, serving the needs of Fund members, and managing the Fund's relationships with outside professionals and other constituencies.

d. **Outside Advisors**

The Board and the Executive Director may hire outside advisors to assist in carrying out Fund responsibilities and to fulfill fiduciary duties. Such advisors may include (but are not limited to): actuaries, human resource consultants, plan recordkeepers, external legal counsel, etc. As provided in the Restatement of Investment Policy, the following outside advisors must be approved by the Board: investment consultants, investment managers, and custodian banks.

SECTION 4

FIDUCIARY RESPONSIBILITY

The members of the Board recognize that they serve as fiduciaries of the Fund. One of their primary responsibilities is the prudent investment of Fund assets. Thus, the Board shall exercise the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Board must also diversify the investments of the Fund in accordance with prudent investment standards.¹⁴ The Board has a duty of undivided loyalty, and must be impartial in the exercise of such duty, to the beneficiaries of the Fund, as all Fund assets must be used for the exclusive benefit of the Fund's covered members and their beneficiaries. No part of the corpus or income may be used for or diverted to any purpose other than for the "exclusive benefit" of the members or their beneficiaries.¹⁵ The Board may not engage in any transactions prohibited

¹⁴ See IC 5-10.3-5-3.

¹⁵ See IC 5-10.2-2-1.5.

by Section 503(b) of the Internal Revenue Code.¹⁶ Board members or anyone acting on their behalf must comply with these provisions.

SECTION 5

BOARD CODE OF CONDUCT

a. **Compliance with Code of Ethics**

Board members recognize that they are governed by a strict code of ethics. Because they believe that public confidence in the Board's integrity is essential not only for members of the Fund, but also for the public and taxpayers of the State of Indiana as well, they wish to ensure that their actions conform not only with the letter of the law but also with the spirit of the law. In accordance with the authority provided by IC 5-10.3-3-7(15), the PERF Board has adopted a resolution to place its employees under the jurisdiction of the State Ethics Commission and to be governed by the State Ethics Commissions rules. The Indiana Code of Ethics covers employees and others (including, but not limited to, Consultants, Custodians, Investment Managers).

b. **Conflict of Interests Rules**

Board members recognize that all Fund transactions and selections are to be based on the integrity and competence of the parties with whom the Fund is dealing and upon financial merit and benefit to Fund members and their beneficiaries, and not on personal relationships. Board members shall never act where there may be a conflict of interest or appearance of conflict of interest. They realize they occupy special positions of fiduciary trust and confidence such that each member must studiously and conscientiously avoid any reasonable appearance of conflict. A conflict of interest is understood to be presented in a situation wherein a relationship exists which could reasonably be expected to diminish independence or judgment in performance of official responsibilities as a Board member. Accordingly, a Board member shall not engage in conduct that constitutes or involves a conflict of interest. It is the Board member's duty to determine if a potential conflict of interest exists, to avoid the conflict, if possible, or, where applicable, to disclose a conflict. If a Board member determines that a conflict of interest or potential conflict of interest exists, that individual shall have an obligation to recuse themselves from participating in the matter. The Board member shall disclose the reason for any such recusal.

c. **Requirement to Disclose and Disclosure Procedure**

- i. Any person who serves on the Board shall fully disclose any substantial interest in any entity in which an investment has been made with monies of the Fund.
- ii. Board members shall disclose any significant business relationship they have with any vendors or prospective vendors serving or considered for service to the Fund.

¹⁶ See IC 5-10.2-2-1.5(9). In general, a prohibited transaction means any transaction which results in a diversion of the income or corpus of the trust to a trustee, a family member of the trustee, or a corporation controlled by the trustee.

d. **Abstention from Deliberation and Voting**

Board members should not participate in a discussion or vote on a matter in which they have a direct or indirect financial interest. However, this prohibition does not arise in connection with a matter which affects the member only as a member of the general public or of a subgroup of the general public, such as members of the Fund as a whole.

e. **Specific Board Rules of Conduct**

In furtherance of the general principles stated above, the Board has adopted the following specific rules.

i. **Contact with Investment Managers**

It is the Board's policy that all contact with Investment Managers or others seeking a business relationship with the Fund should be directed to the Executive Director and Staff, not to individual Board members. For example, during a manager, consultant or other professional search process, it is the Board's policy that no contact with prospective bidders and individual Board members is appropriate. However, the Board recognizes three exceptions to this general rule. First, this rule is not applicable to circumstances arising in the ordinary course of business of an individual that is unrelated to the individual's status as a Board member. Second, this rule is not applicable to contacts relating to Board business with Investment Managers and Consultants with whom the Board has an existing fiduciary relationship. For example, Board members may contact an existing Investment Manager with any questions or concerns they might have with respect to a specific investment directed by that Investment Manager. Third, any other casual incidental contact with an existing or prospective Investment Manager or Consultant that a Board member has, not directed to specific Fund matters, should be disclosed to the Executive Director.

ii. **Gifts**

A Board member may not accept any gifts, favors, services, entertainment, food or drink from a person or business that is seeking or actually has a business relationship with the Fund. However, it is understood that this prohibition is not applicable to circumstances arising in the ordinary course of business of an individual that is unrelated to his or her status as a Board member.

iii. **Speaking Engagements**

A Board member may not accept any expenses, reimbursement, or honorarium for any speeches or presentations made in his or her capacity as a Board member. This rule does not apply to circumstances where the individual is speaking or presenting in a capacity unrelated to Board membership or as to which Board membership is simply recognized as a part of such member's professional experience.

APPENDIX OF SPECIFIC POLICIES

APPENDIX A. Board Confidentiality Policy

Board members may, from time to time, have access to personal data pertaining to PERF members. Board members will not divulge or communicate such information to any person or organization, except as required by law.¹⁷

¹⁷ See IC 5-10.2-2-17.

APPENDIX B. Board Education Policy

Pursuant to Indiana Administrative Code,¹⁸ all special state appointees must complete ethics training every two years during their tenure. The on-line training can be found at www.in.gov/ethics/training. Once completed, the Board member shall contact the PERF General Counsel with date of completion.

The Executive Director or designees will assist with specific orientation for new Board Members.

Board members should have a cogent understanding of the issues and problems facing PERF and the public fund sector generally, so that the Board may craft policies to guide the administration of the Funds and effectively monitor their implementation. To that end, Board members are encouraged to attend appropriate educational seminars, conferences or meetings to advance their education and understanding of various retirement system topics and to assist them in properly fulfilling their fiduciary responsibilities. For example, educational opportunities may address the following:

- The role of a Board member and the role of staff
- The obligations and role of a fiduciary and the paramount duties of loyalty, care and prudence
- Governance principles
- Legal and legislative environment
- Actuarial principles
- Pension plan design
- Investment concepts and asset allocation strategies
- Marketplace trends and issues

It is the Board's policy to reimburse Board members for reasonable and appropriate expenses related to such activities.

The Executive Director will serve to coordinate attendance and administer reimbursement, subject to the applicable procedures found in PERF's *Travel Policy & Procedures*.

¹⁸ See 42 IAC 1-4-1.

APPENDIX C. Board Expense Reimbursement Policy

Board members are entitled to receive reimbursement for necessary expenses actually incurred through service on the Board.¹⁹ Reimbursement for expenses related to attendance at scheduled board meetings may include parking costs, mileage reimbursement at the federal government's mileage rate, and economical meals, if travel over 50 miles is required. Original receipts are required for the reimbursement of all expenses of \$25 or more, and a *PERF Employee Travel Expense Reimbursement Voucher* shall be completed.

¹⁹ See IC 5-10.3-3-4.

APPENDIX D. Board Communications Policy

Board members should refrain from providing specific advice with respect to the rights and benefits to which a member or beneficiary may be entitled to under PERF or the other Funds administered by this Board. In cases where a member or beneficiary contacts a Board member with questions pertaining to personal situations or benefits matters, the member or beneficiary should be referred directly to the Executive Director and/or appropriate staff member to handle the issue.

In external communications, Board members should:

- Limit commentary in public settings to existing board policies or decisions;
- Speak on behalf of the Board only when explicitly authorized to do so by the Board;
- Clearly indicate when they are representing a personal position, opinion or analysis that is different from a Board-approved position; and
- Indicate if they are speaking in a capacity other than that of a Board member.

The Executive Director and Director of Communications and/or their designees will serve as the primary contacts for media inquiries and as spokespersons for PERF. If a Board member is contacted by the media, the member shall contact the Executive Director. If a Board member is interviewed by the media, the Board member should clarify that they are speaking as an individual Board member and not on behalf of the Board.

APPENDIX E. Executive Director Performance Evaluation Policy

The primary responsibility of the Executive Director is the efficient and effective management of PERF's operations in accordance with Indiana statute, administrative rules and the policy direction established by the Board. Accordingly, the quality of operations management constitutes the most relevant measure of performance, and should weigh heavily in the performance evaluation.

The process of evaluating the performance of the Executive Director should be free of real or perceived conflicts of interest and performed on a timely basis. To provide feedback and guidance to the Executive Director, the Board has established the following procedures for annually evaluating the performance of the Executive Director.

The Executive Director annually will prepare a self-evaluation memo focused on PERF's accomplishments and relevant performance issues for the previous year. Such performance criteria should be established in advance of the year being evaluated, though flexibility in modifying them is important. This memo shall be submitted to the Board at the November board meeting for review and discussion in Executive Session. A written summary of the discussion and final evaluation will be provided to the Executive Director. Any salary increase for the upcoming year will be determined through this review and discussion.

APPENDIX F. Board Self-Evaluation Policy

The objective of this policy is to provide a process whereby the Board may engage in self-analysis and discussion for the purposes of improving its own effectiveness as a fiduciary body. Through this process, the Board demonstrates its intention to establish a process for Board members to consider overall Board performance with candor and objectivity.

In order to carry out this process, the Board will, on preferably a bi-annual basis, schedule a specific time period during which members of the board may share their thoughts with one another on the Board's effectiveness and ways to improve the Board's operation and effectiveness. Board members may work with the Chairperson, or outside facilitator if one is retained, to complete a written self-evaluation form prior to the self-evaluation meeting.

APPENDIX G. Strategic Planning Policy

The Executive Director will initiate the strategic planning process and will recommend a timetable and process to the Board. The strategic plan should define a clear and appropriate direction for PERF and ensure that the staff can effectively execute the defined direction. The Board will be responsible for:

- Providing staff with input on the strategic plan, including goals and strategic initiatives;
- Approving the final strategic plan and ensuring adequate resources are in place to support the plan; and
- Monitoring the implementation of the strategic plan.

Strategic planning is a continuous process. The strategic plan should be revisited at least annually, though its planning horizon likely will cover a three to five year timeframe.

APPENDIX H. Board Policy Development Process

Policy development should be a deliberate and proactive process. The general role of the Executive Director in the process is to assist the Board in identifying the need for Board policy, to provide the Board with analysis of the policy issues, and to develop proposed policy documents for the Board's consideration. Approval of a Board policy will require a formal motion of the Board, to be carried by a majority of voting Board members present.

Policies are to be formally reviewed as needed, or within the timeframe appropriate for each policy.

APPENDIX I. Board Trading Policy

Board members who come into possession of material non-public information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person unless the person needs to know for legitimate PERF-related reasons. Any Board member who improperly reveals material non-public information to another person and any person with whom the Board member shares the information may be held liable under the anti-fraud provisions of the federal securities laws. To avoid even the appearance of impropriety, Board members should refrain from providing advice or make recommendations regarding the purchase or sale of any securities knowingly traded by PERF.

The anti-fraud provisions of the federal securities laws generally prohibit persons who have a duty not to disclose material non-public information from trading securities on the basis of such information. In addition, these anti-fraud provisions prohibit fraudulent, manipulative, or deceptive trading practices. Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. A Board member should contact PERF's General Counsel immediately if he/she has questions or becomes aware of the possibility of a violation of insider trading laws.

Information regarding a publicly traded company is deemed "material" if it would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding that company's securities. Further, such information would be material if it were likely to have a significant impact on the market price of that company's securities. So long as the information remains material and non-public, it must be maintained in strict confidence and not used for trading purposes.

APPENDIX J. Monitoring and Reporting Policy

A system of routine reporting is in place to monitor the performance of PERF and ensure that the Board is carrying out its fiduciary duties. Written and oral reports will be provided regularly to the Board. In addition, the Executive Director has a duty to report potential material issues or problems on a timely basis to the Board.

APPENDIX OF ADDITIONAL ITEMS

APPENDIX K. Board Member Duties and Responsibilities

To fulfill its fiduciary and administrative responsibilities, the Board of Trustees shall perform the following duties:

1. Approve the overall mission of the Fund. Approve the strategic plan and objectives of the Fund. The Board's focus is the long-term objectives of the Fund, not the operational means of achieving those objectives.
2. Establish and amend rules and regulations under the Indiana Administrative Code without adopting a rule under IC 4-22-2.²⁰ All administrative rules adopted under the Indiana Administrative Code shall be forwarded to the Legislative Services Agency for printing.
3. Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the Board, to perform the Board's duties and, as appropriate and reasonable, draw upon Fund assets to fund the budget.²¹
4. Appoint an Executive Director, subject to the approval of the Governor.²² The Board shall evaluate the performance of the Executive Director annually and fix the compensation of the Executive Director.
5. With the advice of the actuary, establish employer contribution rates.²³
6. With the advice of the actuary, establish the amortization of the unfunded actuarial accrued pension liability.²⁴
7. With the advice of the actuary, adopt actuarial tables.²⁵
8. Approve the engagement of all investment managers, investment consultants and custodian banks.²⁶
9. Delegate duties to the Executive Director or other employees of the Fund.²⁷

²⁰ See IC 5-10.3-3-8.

²¹ See IC 5-10.3-3-7(11).

²² See IC 5-10.3-3-7(1) and (3).

²³ See IC 5-10.3-3-8(7).

²⁴ See IC 5-10.3-3-8(8).

²⁵ See IC 5-10.3-3-7(7).

²⁶ See IC 5-10.3-3-7(2).

²⁷ See IC 5-10.3-3-8(3).

APPENDIX L. Chairperson's Role and Duties

Each year, at the annual meeting of the Board, the members of the Board shall elect a chairperson to serve until the next annual meeting of the Board or until a successor is elected by the Board. The chairperson is a member of the Board, elected by a majority of the Board.

The chairperson is charged with ensuring the integrity of the Board's process, facilitating the operation of Board meetings, and motivating the Board to be as effective as possible in fulfilling its responsibilities and duties. Toward these ends, the chairperson shall:

- a. Assist in the development of the agenda for the Board meetings;
- b. Preside over the meetings of the Board; and
- c. Perform such additional duties as provided herein or as may be set by resolution of the Board.

APPENDIX M. Vice-Chairperson's Role and Duties

Each year, at the annual meeting of the Board, the members of the Board shall elect a vice-chairperson to serve until the next annual meeting of the Board or until a successor is elected by the Board. The vice-chairperson is a member of the Board, elected by a majority of the Board.

In the event of the absence or incapacity of the chairperson, the vice-chairperson shall preside over Board meetings, and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

APPENDIX N. Executive Director Profile and Specifications

Profile: An experienced and successful leader of staff and manager of internal systems who will place a high priority on developing staff resources, collective expertise and the management systems. The Executive Director will have respect for and experience working with governing bodies that assert their policy role, their fiduciary responsibilities to members, and oversight of PERF through the Executive Director. Accordingly, the Executive Director must establish a relationship with the Board that has complete transparency and accountability.

Characteristics and abilities of the Executive Director include:

- Outstanding personal leadership, administrative and management skills.
- A commitment to providing the highest level of customer service to employers and members.
- High personal energy, a positive approach, self-confidence and a sense of humor.
- Outstanding ability to communicate in oral, written or formal presentation settings in a variety of venues, including with state and national organizations, in media interviews and with staff.
- The capacity to absorb complex issues and disparate information and provide clear, concise briefings and presentations.
- The ability to solve problems and provide a range of alternatives to the Board as they consider issues affecting PERF and its investments.
- An approachable, friendly, open and participatory management style open to and respecting input from others.
- A willingness to appropriately confront issues and make tough recommendations and decisions.
- A willingness to maintain a high level of professional networking to remain aware of cutting edge thinking relative to public sector pension plan practices.
- Being proactive in anticipating problems and changes and their potential impact on PERF.
- The ability to effectively delegate authority and responsibility while maintaining appropriate levels of accountability, operational control and personal involvement.

Specifications:

- Minimum of a Bachelor's Degree in business or public administration or a related field and a graduate degree is preferred.
- A minimum of five, and preferably ten, years of experience leading and managing an organization of comparable or larger size and complexity is required.
- While there is no requirement for specific experience in finance, investments, operations or actuarial science, it is imperative that the Executive Director be able to comprehend such disciplines and communicate effectively with experts on technical matters that affect PERF.
- Experience with and knowledge of Indiana pension legislation and legislative relationships are not required, but could be beneficial. Pension plan

administration experience is strongly preferred and candidates with records of achievement in this area will receive preference, but the Board will consider other areas of professional achievement, to include the ability to build productive working relationships and a track record of leading and managing complex organizations.

- The Executive Director's public and private life must exemplify the highest standards of ethics, professional decorum and financial responsibility.

APPENDIX O. Delegated Responsibilities to Executive Director and Staff

The Executive Director is the executive officer in charge of the administration of the Fund's detailed affairs and operations, makes eligibility and other determinations on application to the Board and shall cause all necessary persons to be notified of any determinations made concerning such applications, and makes periodic reports to the Board.²⁸ To this end, all operational duties are delegated by the Board to the Executive Director, to be further delegated, as determined by the Executive Director, to the staff of the Fund. All operational matters provided for in the Indiana Code and the Indiana Administrative Code that reference the Board of the Fund shall be delegated to and carried out by the Executive Director and staff of the Fund.

The following list of responsibilities is intended to provide a general description of the duties that are delegated by the Board to the Executive Director which may be carried out by Fund staff at the direction of the Executive Director. This list is intended to provide a general description of staff responsibilities and shall not be interpreted to be an exhaustive list of such duties.

1. Appoint an actuary and employ or contract with employees, auditors, technical experts, legal counsel, medical experts and other service providers as necessary to transact the business of the Fund; fix the compensation or consideration for those engaged by the Fund; and monitor the performance of such service providers.
2. Prepare job descriptions for Fund staff and fix compensation of staff (except as to the Executive Director, as described under Board Responsibilities) within the compensation plan adopted by the Board.
3. Establish personnel programs and policies, and establish policies and procedures to carry out fund operations generally.
4. Provide for a report at least annually, before June 1, to each member of the amount credited to him in the annuity savings account in each investment program under IC 5-10.2-2.
5. Act on applications for benefits and claims of error filed by members, beneficiaries and survivors. Set all policies and procedures relative to Annuity Savings Accounts, employers and their contributions, purchases of service, and the processing of member benefits, pursuant to the Indiana Code and the Indiana Administrative Code. Act on special death benefit claims, with a report to the Board of such initiated benefits.
6. Have the accounts of the Fund audited annually by the State Board of Accounts.
7. Publish for the members a synopsis of the Fund's condition.
8. Expend money, including income from the Fund's investments, for effectuating the Fund's purposes.

²⁸ See IC 5-10.3-3-9 and 35 IAC 1.2-1-2.

9. Provide regular reports to the Board relative to the operations and investments of the Fund.
10. Submit a report of the Fund's previous year's activities to the Governor, the Pension Management Oversight Commission, and the Budget Committee before November 1 of each year. The report shall provide the information listed in IC 5-10.3-3-7(14).
11. Represent the Fund before the Indiana General Assembly and its Pension Management Oversight Commission.
12. Correct and revise any previously-approved employer contribution rate where such rate is incorrect only due to calculation error or incorrect data inputs, provided that the Executive Director shall report the change to the Board at the next board meeting.
13. Negotiate and execute all contracts made by the Fund pursuant to the *General Procurement (Operations) and Real Estate Policy*, provided that in the case of engagements and agreements with investment managers, investment consultants and custodians, the Board shall provide prior approval as provided in Appendix K, Board Member Duties and Responsibilities, above.
14. Deduct any authorized amounts from the benefits of members of the PERF Fund and the 1977 Police Officers' and Firefighters' Pension and Disability Fund and remit to the appropriate entities pursuant to IC 36-8-8-17.2. No further written agreement by the Board is required.
15. Recover payments made under false or fraudulent representation.
16. Administer all litigation and issue final determinations on decisions that have been appealed through the Indiana Administrative Orders and Procedures Act. Make all determinations relative to benefit forfeitures and reimbursements.
17. Review all disability impairment awards and default disability impairment awards.
18. Exercise all powers necessary, convenient, or appropriate to carry out and effectuate the Fund's public and corporate purposes and to conduct its business (including all funds and accounts administered by PERF).
19. Perform any and all additional duties assigned by the Board.

APPENDIX P. Board Meetings

The Board determines and approves a regular meeting schedule on an annual basis in advance of each calendar year. Changes in the approved schedule may be made by agreement of the Board. The Board is authorized to schedule additional meetings, if deemed necessary, after giving appropriate notice to all members of the Board and to the public.

The Board shall hold an annual meeting each November and regular meetings at least quarterly each year. Special meetings may be held as considered necessary by the Board. Meetings may be held in the general office or in such other places in the state as are designated by the Board. All meetings must be open to the public. The Board shall keep a record of its proceedings.²⁹ Executive Sessions of the Board may only be held pursuant to IC 5-14-1.5-6.1.

Attendance at Board meetings is considered to be an essential element of a Board member's fiduciary responsibility. Therefore, members are expected to attend all meetings unless there are extenuating circumstances that prevent such attendance.

Procedural Standard for Meetings

1. Four trustees constitute a quorum for the transaction of business. Each trustee is entitled to one (1) vote on the Board. A majority vote is sufficient for adoption of a resolution or other action at regular or special meetings.³⁰
2. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* should govern all proceedings of the Board insofar as they are applicable and not inconsistent with any of the policies adopted by the Board. Special note is to be made of the rules providing for procedure in small boards.
3. Serial meetings: Pursuant to IC 5-14-1.5-3.1, a series of meetings among Board members may constitute a meeting that is in violation of the notice and open door laws if the Board members meet in a series of at least two gatherings and the gatherings meet the following criteria: (1) One of the gatherings is attended by at least three Board members but less than four members (a quorum) and the other gathering(s) include at least two Board members; (2) The sum of the attending Board members equals at least a quorum (four members); (3) All the gatherings concern the same subject matter and are held within a period of not more than seven consecutive days; and (4) The gatherings are held to take official action on public business. A gathering can occur by telephone or other electronic means, excluding electronic mail.³¹
4. Electronic meetings: Notwithstanding IC 5-14-1.5-3, because participation in Board meetings by electronic means is expressly provided for in IC 5-10.2-2-16, Board members may participate in a Board meeting by using any means of communication that permits everyone present at the meeting to simultaneously communicate with each other

²⁹ See IC 5-10.3-3-5 and IC 5-14-1.5.

³⁰ See IC 5-10.3-3-6.

³¹ See IC 5-14-1.5-3.1.

during the Board meeting (e.g. teleconference). A Board member who participates by such electronic means is considered present at the meeting. The minutes of the meeting shall note who was physically present, who participated electronically, and who was absent. For purposes of fulfilling a quorum, a Board member participating by phone may be counted for purposes of constituting a quorum.

APPENDIX Q. Oath of Office Format

The following Oath of Office shall be completed for each Board member and filed with the Indiana Secretary of State.³²

OATH OF OFFICE

BOARD OF TRUSTEES OF THE

INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND

I, _____, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Indiana, and the laws of the United States and the State of Indiana, and that I will honestly and faithfully discharge my duties as a member of the Board of Trustees of the Indiana Public Employees' Retirement Fund to the best of my abilities, so help me God.

By: _____ Witnessed By: _____

Printed Name: _____ Printed Name: _____

Date: _____ Title: _____

Date: _____

COUNTY OF MARION)
) SS:
STATE OF INDIANA)

Subscribed and sworn to before me, this ____ day of ____, 20__.

Signature

Notary Public, State of Indiana

County of Residence: Marion

My Commission Expires: _____

³² See IC 5-10.3-3-3.

INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY

Originally Adopted September 12, 1997
Last Restated December 21, 2007

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INTRODUCTION

Description of PERF

The Indiana Public Employees' Retirement Fund ("PERF") was established in 1945, to provide retirement, disability, death, and termination benefits to present and former members and their beneficiaries who meet the statutory requirements for such benefits. Members include employees of the State and employees of other governmental units who have adopted resolutions joining PERF (including cities, towns, counties, and other governmental units). Pursuant to Indiana law and the Internal Revenue Code, PERF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. PERF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code, in order to provide the ensuing tax advantages to its members. In addition, PERF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code. PERF is also governed by Indiana statutes and administrative rules. Among the governing Indiana statutes is the requirement that PERF be funded and maintained on an actuarially sound basis. See IC 5-10.2 and IC 5-10.3. Additionally, PERF's Board of Trustees (the "Board") is charged with the administration and trusteeship of the following: The 1977 Police Officers' and Firefighters' Pension and Disability Fund, The Judges' Retirement System, The Legislators' Retirement System, which includes the Legislators' Defined Benefit Plan and the Legislators' Defined Contribution Plan, The State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Officers' Retirement Plan, The Prosecuting Attorneys' Retirement Fund, and the Pension Relief Fund.

Description of Primary Statutory Investment Provisions

The Indiana General Assembly enacted the prudent investor standard to apply to the Board and govern all its investments. See PL 37-1996.

Thus, the primary governing statutory provision is that the Board must "invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims." The Board is also required to diversify such investments in accordance with prudent investment standards. See IC 5-10.3-5-3.

Other Restrictions on Investments

Other pertinent investment requirements in the Indiana statute include the following:

- 1) Fund investments must be held for the Fund by banks or trust companies under a custodial agreement or agreements. IC 5-10.3-5-4(a). All Custodians must be domiciled in the United States and approved by the department of financial

institutions to act in a fiduciary capacity and manage custodial accounts in Indiana. IC 5-10.3-5-5.

- 2) The Treasurer of the State must receive all Fund deposits (e.g., income, interest, receipts, etc.). IC 5-10.3-5-4(a).

Background of Investment Policy

The Board has maintained an investment policy for many years. That policy has been amended and restated from time to time as the Board deemed appropriate. The Board adopted a set of guiding principles on November 15, 1996, as well as Investment Policy Goals and Guidelines. The Board determined it was appropriate to completely restate its policy to incorporate appropriate principles, and to reflect the extensive work done by the Board following passage of Senate Enrolled Act 69 (the prudent investor standard) and Question 2 (the equity referendum on the November 1996 Indiana ballot to allow equity investments). That restatement was dated September 12, 1997, and the Board has subsequently amended that restatement. The Board wishes to restate its policy to reflect those amendments, changes in applicable law, as well as other amendments it believes appropriate.

The Board intends this Policy to augment the governing laws, and supersede all prior statements of policy, principles and guidelines. This Policy is binding on all persons with authority over Fund assets, including Investment Managers, Custodians, Consultants, Staff, and the Board, as well as any other person who could have a relationship with the Fund.

Scope of Investment Policy

This Policy covers all assets under the Board's control except to the extent the following are specifically addressed in an Addendum:

- 1) Securities Lending Collateral Reinvestments
- 2) The Annuity Savings Accounts in PERF
- 3) Private Equity Investment Procedures
- 4) Alternative Investment Information Disclosure Policy
- 5) Investment Procurement
- 6) Securities Litigation
- 7) The Pension Relief Fund

References in the balance of this Policy to "Fund" will include all assets under the Board of Trustees' control except to the extent appropriate for the assets listed in the preceding paragraph.

SECTION 1. PURPOSE OF POLICY

The purpose of the Investment Policy is to:

- 1) Set forth the investment policies which the Board judges to be appropriate and prudent, in consideration of the needs of the Fund, legal requirements applicable to the Fund, and to direct investment of the Fund's assets.
- 2) Establish criteria against which the Investment Manager(s) are to be measured.
- 3) Communicate the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, Investment Managers, Consultants, and all other interested parties.
- 4) Serve as a review document to guide the ongoing oversight of the investment of the Fund.
- 5) Demonstrate that the Board is fulfilling its fiduciary responsibilities in the management of the investments of the Fund solely in the interests of members and beneficiaries of the Fund.

The Board does intend this Policy to be a dynamic document, and, as such, expects to review it periodically. The Board anticipates that changes will be made from time to time to reflect experience, investment product changes, benefit and structural changes, performance and economic conditions.

SECTION 2. STATEMENT OF GUIDING PRINCIPLES

The Board has adopted a set of guiding principles for oversight and management of Fund investments. They are as follows:

- 1) Investment of Fund assets will be delegated to Investment Managers pursuant to Section 12.
- 2) The Board will employ Investment Managers with understandable, clearly defined investment strategies pursuant to Section 7.
- 3) The Board will not time the markets in making investment related decisions, consistent with the fact that the Fund is a long term investor.
- 4) The Board will manage the investment of the assets in a cost effective manner.
- 5) The Board prefers to employ Investment Managers that maintain fully invested positions rather than using cash equivalent or short term investments as a strategy alternative.
- 6) The Board will maintain a prudent investor profile, consistent with its fiduciary responsibility to invest the assets solely in the interests of its beneficiaries.
- 7) The priority of all investments will be consistent with optimizing diversification benefits.
- 8) The Board intends to incorporate risk management concepts focused on moderating or controlling, to the extent reasonable and practical, risks normally associated with investment.
- 9) The Board realizes that the plans under its trusteeship may have different funding positions and needs, different population demographics, and different time horizons, which may create different investment needs or requirements.
- 10) Because the Board's first priority is its fiduciary duty to Fund participants, the Board and its agents shall not make investment decisions based on perceived social effects (also known as socially responsible investing), to the extent the investment decision is not also in the best interest of the Fund's participants and complies with the Board's prudent investor duties under IC 5-10.3-5-3.

SECTION 3. RESPONSIBLE PARTIES AND THEIR DUTIES

In addition to the responsibilities outlined in the Statement of Board Governance with respect to the Board, Staff and Executive Director, the following parties will be engaged by the Board to provide services to the Fund:

Investment Manager

An Investment Manager is a person(s), firm, corporation, bank or insurance company who is retained to manage a portion of the assets of the Fund under specified guidelines. Such Investment Managers will be registered as investment advisors under the Investment Advisors Act of 1940 and Securities Exchange Commission Acts, unless exempted from registration by the SEC (i.e., banks and insurance companies and affiliates).

Custodian

A Custodian for the Fund is a bank or trust company which is retained by the Board. A Custodian may be authorized to (1) hold securities and other investments in the name of the Fund, in the name of a nominee of the Custodian, or in bearer form; (2) collect and receive income, interest, proceeds of sale, maturities, investments; deposit all these receipts in a custodian account or checking account as instructed by the Board; and reinvest these receipts as directed by the Board; (3) maintain accounting records and prepare reports which are required by the Board and the State Board of Accounts; (4) perform other services for the Board as are customary and appropriate for custodians; and (5) if retained, to conduct any analysis required by the Board.

Consultants

Consultants are persons or firms who are retained by the Board for the Fund and responsible for providing investment advice to the Fund, based upon their expertise and their analysis of the issues under consideration.

Responsibilities of Investment Managers and Consultants

Each Investment Manager and Consultant retained by the Fund shall be notified in writing of the Board's Code of Ethics and the related Conflict of Interest laws of the State of Indiana, and of the Board's adoption of this Code. All Investment Managers shall strictly conform to the Board's Code of Ethics. Any suggestion or offer to deviate from these provisions made by a Board member or Staff member shall be reported by the Investment Manager or Consultant, in writing, to all members of the Board.

The Board recognizes that Investment Managers and Consultants have every right as citizens to participate in the political process both individually or corporately. However,

the Board believes that it is inappropriate and improper for members of the Board to solicit contributions or support of specific candidates from any Investment Managers, Consultants or Staff. Any such incidents should be reported, in writing, by the Investment Manager or Consultant to all members of the Board.

All Investment Managers, Consultants and other persons retained in any capacity which have fiduciary responsibilities are expected to abide by the provisions of the Board's Code of Ethics.

SECTION 4. GENERAL OBJECTIVES

The investment activities are to be designed and executed in a manner that serves the best interests of the members and beneficiaries of the Fund.

The investment activities are designed to provide a return on Fund assets that, when coupled with the periodic contributions of the membership and employers, will meet or exceed the benefit funding requirements of the Fund. Of primary consideration is the maintenance of funding which is adequate to provide for the payment of the plans' actuarially determined liabilities over time, at a reasonable cost to the members and the taxpayers of the State.

The Board has the authority and intends to establish allocations to various asset classes and subcategories as described in Section 5, subject to general and specific guidelines established in Section 7. Evaluation of Investment Managers' performance and total Fund performance will be done pursuant to Section 6.

SECTION 5. ASSET ALLOCATION

The Board recognizes that the allocation of assets, particularly the broadly-defined mix between stocks and bonds, is the most important determinant of investment rates of returns over long periods of time.

Background Information

To guide their selection of the best asset mix, the Board considered the linkage of liability projections with asset projections over future time periods. Key factors were the "Employers' Contributions as a Percentage of Pay" and the "Funded Ratios" which would be necessary to provide the promised benefits to Fund beneficiaries.

Selected Allocations

The following asset classes, target norms, and allowable ranges have been established.

Asset Classes	Target Norm	Allowable Range
EQUITIES-Domestic	40%	35% to 50%
EQUITIES-International	15%	10% to 20%
EQUITIES-Global	10%	5% to 15%
FIXED INCOME-Core	15%	10% to 20%
FIXED INCOME-TIPS	5%	0% to 10%
ALTS – Private Equity	8%	0% to 10%
ALTS – Real-Estate	3%	0% to 5%
ALTS – Commodities	2%	0% to 5%
ALTS – Total Return Strategies	2%	0% to 5%

Within each asset class, the Board in its discretion may establish subcategories, and the Board also may establish the mix between active Investment Managers and passive index Investment Managers. Investment staff will be charged with monitoring individual asset classes and rebalancing as necessary to keep the portfolio within the Board-approved ranges.

Review

The asset allocation will be reviewed periodically, but no less frequently than every three years. Asset liability modeling studies will be conducted as the Board determines necessary.

SECTION 6. PUBLIC MANAGER AND TOTAL FUND EVALUATION & PROCEDURES

Introduction

The Board recognizes the need to evaluate the investment performance of the Investment Managers who have been delegated the duty to invest the assets of the Fund, and further recognizes that Investment Managers are under a strict fiduciary duty to the Fund. Further, the Board recognizes the need to evaluate the performance of the total Fund. Therefore, the Board wishes to establish clear standards for execution of this fiduciary duty. The Board intends to evaluate the performance of each Investment Manager pursuant to the procedures outlined below. Periodic reports from investment staff should supply critical information on a continuing basis, such as the comparative investment performance, portfolio positions relative to stated strategy, and other perspectives of the Portfolios as requested by the Board. The reports should be examined to determine whether investment policy guidelines are being followed, and the Fund as well as the individual Investment Managers meet the established objectives.

Performance Evaluation Factors for Total Fund

The key factors to be used in the analysis of the investment performance of the total Fund include:

- 1) The funded status of the Fund.
- 2) Investment rate of return and volatility of the Fund, compared with a weighted average of market indexes which best describe the Fund's allocation.
- 3) Investment rate of return of the Fund, compared with other large private and public pension funds with special emphasis on other large public funds.

Performance Evaluation Factors for Investment Managers

The key comparative factors to be used in the analysis of the performance of an Investment Manager include:

- 1) Investment rates of return of the Investment Manager compared to an appropriate market index benchmark.
- 2) Investment rates of return of the Investment Manager compared to an appropriate universe or style peer group.
- 3) The volatility of the investment rates of return of the Investment Manager compared to the volatility of an appropriate market index benchmark.

Rates of return for an Investment Manager will be calculated based on the total of the Investment Manager's allocation of Fund assets.

Volatility will be measured by the standard deviation of the historical series of rates of return over a period of not less than three years.

Compliance with the Fund's guidelines applicable to the particular asset class under management will be considered in the evaluation of the Investment Manager's performance within its specific style.

Performance Evaluation Standards

Rates of return will be evaluated on both a gross and net of fee basis. The calculation of the investment rates of return will be consistent with the following procedures. In order to provide more definition and consistency, one year, three year, five year, and rolling three and five year periods will be used. Rolling periods shall be defined as a three (or five) year period beginning with the earliest reasonable date and including subsequent three (or five) year periods each beginning one year later until the ending date is the end of the current period. If needed to further evaluate investment performance, other time periods may be employed.

The following standards will be used as a guideline for the evaluation of the investment performance of the Investment Managers:

- 1) Gross of fee rates of return ranking at or above the median of an appropriate universe or style peer group of investment managers, on one year, three year, and rolling three year periods.
- 2) Net of fee rates of return exceeding an appropriate market index benchmark, on three year, rolling three year, five year and rolling five year periods.
- 3) Risk - adjusted rates of return exceeding an appropriate market index benchmark, on a three year, rolling three year, five year and rolling five year periods.
- 4) Volatility consistent with the assigned asset class, and relative to the appropriate market index benchmark, on three year, rolling three year, five year and rolling five year periods.

Performance Measurement

A time-weighted return formula (which minimizes the effect of contributions and withdrawals) should be utilized. The services of an outside, independent consulting firm providing performance measurement and evaluation may be retained. Investment Managers will be expected to comply with the Association for Investment Management and Research's (AIMR) Performance Presentation Standards in calculating and reporting their investment performance. The Fund, and any firms retained by the Fund to calculate investment performance, will also adhere to the AIMR Standards.

Meetings

The Investment Manager(s) are expected to meet at least annually with the investment staff to review the Portfolio and investment results in the context of this Policy.

Compliance Report

Annually, the investment staff will confirm that the Fund and each of its managed Portfolios have complied with the stated investment policies and guidelines herein, including, but not limited to, the proxy voting policy and the policy for trading.

Reporting Procedures for Investment Managers

The Investment Manager shall:

- 1) Prepare a quarterly report to be delivered to investment staff which includes those items requested by the Fund, in the format requested by the Fund. These reports should cover:
 - a) any changes in the firm's structure, professional team or product offerings;
 - b) a review of recent and anticipated investment activities;
 - c) an analysis of the major changes which have occurred in the investment markets and in the Portfolio in particular since the last report;
 - d) a summary of the key characteristics of the Portfolio; and
 - e) other matters as requested by the Fund from time to time.Periodically, the Staff will provide the Investment Manager with a detailed description and format for these reports.
- 2) Make a presentation to the investment staff when requested, describing the professionals, the investment process employed for the Fund's Portfolio under the Investment Manager's responsibility, recent performance of the Portfolio, current investment strategy and outlook, and any other related issues as requested by the investment staff.
- 3) Meet regularly with the investment staff to discuss the management of the Portfolio, new developments and any other related matters.
- 4) Immediately report all instances of economically material events which would affect investment performance of assets held (e.g., default, missed interest payments, violation of bond covenants, or significant business restructuring) to the investment staff and provide recommendations regarding options for addressing such issues, including withdrawing from the investment or other appropriate actions.
- 5) Advise the investment staff immediately and in writing if any of the following events occur within the Investment Manager organizations:
 - a) a loss of one or more key people
 - b) a significant change in investment philosophy
 - c) a new portfolio manager(s) or account manager(s) on the Fund's account

- d) a change in ownership or control (whether through acquisition, disposition, merger, consolidation, or otherwise) or in business focus of the Investment Manager
- e) loss of a significant client relationship(s)
- f) any investigation or action by a federal or state regulatory body
- g) any other event which could be judged to or deemed to adversely impact to a significant degree the management, professionalism, integrity or financial position of the Investment Manager

Evaluation Procedures

The investment staff intends to review at least quarterly the performance of the Fund and of each Investment Manager Portfolio relative to the objectives and guidelines described herein.

The investment performance review may include comparisons to:

- 1) unmanaged market indices
- 2) other public pension funds
- 3) a broad universe of investment managers
- 4) the Consumer Price Index
- 5) any other indices or measures the Board deems appropriate from time to time

Further, the investment staff shall at least annually consider:

- 1) staffing of personnel
- 2) stability of business
- 3) changes in product offerings
- 4) organizational structure
- 5) conformance to this policy
- 6) changes in investment strategy and developments in capital markets as they impact strategy
- 7) changes in resources
- 8) communications to the Fund

The Board reserves the right to suspend or terminate any manager at any time. Such right may be delegated in writing to Fund representatives .

SECTION 7. INVESTMENT GUIDELINES

General Guidelines for Investment Managers

Each Investment Manager retained to manage a portion of the assets (the Investment Manager's "Portfolio") of the Fund shall be aware of and operate within this Investment Policy and governing Indiana statutes. Subject to the guidelines in this Section and the policies documented in this Statement, any Investment Manager retained by the Fund is to have full discretionary investment authority over the assets said Investment Manager is responsible for managing.

As fiduciaries of the Fund, all Investment Managers (regardless of type of investment) will discharge their duties solely in the interests of the Fund's members and beneficiaries and with the care, skill, prudence, and diligence that an expert would use on his/her own behalf. In addition, the Investment Managers, other than Investment Managers covered by the Alternative Investment Policy Statement in Section 13 of this policy, shall observe the following rules:

- 1) Specific Limitation on Holdings: The purchase of securities of any one issuer (with the exception of the US Governmental and its agencies) shall be limited to an initial cost of 5% of the market value of an Investment Manager's Portfolio. Through capital appreciation, no such holding should exceed 7.5% of the market value of the total holdings of such Investment Manager's Portfolio, unless the Board approves an exception.

For managers contracted to manage a concentrated portfolio, the purchase of securities of any one issuer (with the exception of the US Governmental and its agencies) shall be limited to an initial cost of 7.5% of the market value of an Investment Manager's Portfolio. Through capital appreciation, no such holding should exceed 15% of the market value of the total holdings of such Investment Manager's Portfolio, unless the Board approves an exception.

- 2) Securities Trading: Each Investment Manager is to immediately send copies of each transaction record to the Fund's Custodian(s), and any designated agent of its Custodian(s). Each Investment Manager is further required to reconcile the account(s) under its management on a timely basis each month with the Custodian(s). Each Investment Manager is responsible for complying fully with the Fund's policies for securities trading and selecting brokerage firms.
- 3) Acknowledgments of Legal Compliance: Each Investment Manager retained by the Fund must be a person, firm, or corporation registered as an investment adviser under the Investment Advisors Act of 1940; a bank as defined in such Act; or an insurance company qualified to do business in more than one state, and must

acknowledge its fiduciary responsibility in writing. SEC registered firms will be expected to provide a copy of the SEC ADV Form Section II on an annual basis.

- 4) Acknowledgments of Receipt: All Investment Managers shall acknowledge in writing their receipt of this Policy and their agreement to abide by its terms. All Investment Managers shall have an affirmative duty to bring suggestions for modification or change to the investment staff.
- 5) Fiduciary Liability Insurance: Each Investment Manager will obtain fiduciary coverage, with a minimum of \$5 Million coverage or \$25 Million in pooled coverage, or in such higher amount as required by the Board from time to time. The fiduciary coverage must cover a loss resulting from a breach of fiduciary duty in providing or failing to provide professional services to the Fund. In some cases, fiduciary coverage may be established through errors and omissions (E&O) or professional liability policies (including, for some Investment Managers, a "blanket bond" if the bond also provides coverage for fiduciary liability), as long as those policies are specifically written to cover fiduciary breaches themselves or include a specific fiduciary liability endorsement or rider.

Each Investment Manager shall annually provide written evidence of such coverage. The Executive Director may approve alternative fiduciary liability insurance arrangements, if in the judgment of the Executive Director, Chief Investment Officer, and Fund legal counsel, the alternative insurance arrangements provide substantially the same protection to the Fund.

- 6) Errors and Omissions Coverage: Each Investment Manager will obtain coverage for errors and omissions to cover a loss due to a mistaken or negligent act or omission (without any exclusions for benefit plans that would exclude services the Investment Manager provides for PERF from coverage), with minimum of \$5 Million coverage, or in such higher amount as required by the Board from time to time. Each Investment Manager shall annually be required to provide written evidence of such coverage.

The Executive Director may approve alternative errors and omissions coverage, if in the judgment of the Executive Director, Chief Investment Officer, and Fund legal counsel, the alternative insurance arrangements provide substantially the same protection to the Fund.

- 7) Fidelity Bond: Each Investment Manager will obtain a fidelity bond, which covers loss from acts of dishonesty, theft, or negligence, with a minimum of \$3 Million coverage, or in such higher amount as required by the Board from time to time. Each Investment Manager shall annually be required to provide written evidence of such coverage.

The Executive Director may approve alternatives to a fidelity bond, if in the judgment of the Executive Director, Chief Investment Officer, and Fund legal counsel, the alternative insurance arrangements provide substantially the same protection to the Fund.

- 8) Proxy Voting: Each Investment Manager will abide by the Fund's Proxy Voting Policy as stated in Section 11 of this Statement.
- 9) Conflicts of Interest: An Investment Manager shall be subject to the applicable provisions of Section 3 of this Statement. An Investment Manager through its actions on behalf of the Fund shall not invest any part of the Fund with itself or with any person or entity with which or in which it has any economic interest, unless such Investment Manager receives prior written approval from the Board. This limitation shall be construed so as to avoid any possibility of self-dealing or conflict of interest. In addition, no Investment Manager, through its actions on behalf of the Fund, shall act or receive compensation as a broker, dealer, underwriter, or principal whether directly or through a related or an affiliated entity, unless such Investment Manager receives prior written approval from the Board.
- 10) Prohibited Securities and Transactions: Except as otherwise authorized by the Board, or specifically allowed for specific asset classes as noted elsewhere in this policy, the following transactions shall be prohibited:
 - a) Short sales of any kind
 - b) Repurchase agreements that may create any kind of leverage in the portfolio.
 - c) Repurchase agreements as cash equivalents are permitted.
 - d) Purchases of letter or restricted stock
 - e) Buying or selling on the margin
 - f) Purchases of futures and options and entrance into swap agreements, except where specifically noted in Specific Guidelines
 - g) Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment, or links to indexes representing investments.
 - h) Purchases of Interest Only or Principal Only collateralized mortgage obligations
 - i) Purchases of inverse floaters

In addition to specific items prohibited in this section, the fund may not engage in any "prohibited transaction" as listed under Section 503 of the Internal Revenue Code.

- 11) Commingled and Pooled Investments: In accordance with IC 5-10.2-2-2.5, Investment Managers may, with the express written permission of the Chief Investment Officer of the Fund, invest in commingled or pooled funds that otherwise comply with the guidelines in this Policy.

- 12) Correction of Violations: In the event a violation of the guidelines occurs, unless otherwise approved by the Executive Director in writing, based upon a determination of the best interests of the Fund, the violation:
- a) Shall be corrected immediately by sale as soon as practicable following detection and notification, unless the Executive Director has agreed in writing to a correction which does not result in immediate disposition or sale
 - b) Shall result in the reimbursement of the Fund by the Investment Manager for any losses which may have been incurred due to the violation
 - c) Shall result in the Fund retaining any gains which are realized from the violation
 - d) May be grounds for termination by the Board

General Guidelines for the Investment of the Specific Portfolios

Each Investment Manager will be retained to implement a specific investment strategy for the Fund. This strategy and its underlying philosophy will be described in the Investment Manager's contract and the Portfolio will be managed according to this strategy until such time as the Board and Investment Manager agree in writing to any change.

Generally, the structure of the Fund is expected to include the asset classes and management strategies shown in Appendix A.

Specific Guidelines for Domestic Equity Portfolios

Core Enhanced Index Management

- 1) Description: Investment in a portfolio of equity securities of companies primarily listed or traded on U.S. exchanges or over-the-counter markets, including common stock and American Depositary Receipts (ADRs), that substantially matches the composition and characteristics of the market index benchmark. However, portfolios are expected to vary in terms of number of securities held and, from time to time, vary modestly from the index as measured by the statistical characteristics (e.g., average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Core Active Management

- 1) Description: Investment in a portfolio of equity securities of companies primarily listed or traded on U.S. exchanges or over-the-counter markets, including common stock and American Depositary Receipts (ADRs), that substantially matches the composition and characteristics of the market index benchmark. However, portfolios are expected to vary in terms of number of securities held and, from time to time, vary from the index as measured by the statistical characteristics (e.g., average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Capitalization and Style-Specific Active Management

- 1) Description: Investment in a portfolio of equity securities of companies primarily listed or traded on U.S. exchanges or over-the-counter markets, including common stock and American Depositary Receipts (ADRs), that substantially matches the composition and characteristics of the index benchmark. This benchmark represents the specific market capitalization range, as well as style (e.g., growth or value), as determined by the Board. However, portfolios are expected to vary in terms of number of securities held and, from time to time, may vary from the index as measured by the statistical characteristics (e.g., average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Specific Guidelines for International Equity Portfolio

Core Index Management

- 1) Description: Investment in a portfolio of equity securities of companies domiciled outside the United States and listed on foreign exchanges or traded on over-the-counter markets that substantially match the composition and characteristics of the market index benchmark. Investment in ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) is permitted.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities. No investments in markets defined by MSCI (Morgan Stanley Capital International) as "emerging" are allowed unless approved in advance and in writing by the Board.
- 3) Benchmark: See Appendix A.
- 4) Currency Hedging: Currency hedging is prohibited unless approved in advance and in writing by the Board.
- 5) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Core Enhanced Index Management

- 1) Description: Investment in a portfolio of equity securities of companies domiciled outside the United States and listed on foreign exchanges or traded on over-the-counter markets that substantially matches the composition and characteristics of the market index benchmark. Investment in ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) is permitted. However, portfolios are expected to vary in terms of number of securities held and, from time to time, vary modestly from the index as measured by the statistical characteristics (e.g., country allocation, average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities. Assets held in emerging markets (as defined by MSCI) may not exceed 30% of the portfolio, as measured by market value, unless approved in advance and in writing by the Board.
- 3) Benchmark: See Appendix A.

- 4) Currency Hedging: Currency hedging is prohibited unless approved in advance and in writing by the Board.
- 5) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Style-Specific Active Management

- 1) Description: Investment in a portfolio of equity securities of companies domiciled outside the United States and primarily listed on foreign exchanges or traded on over-the-counter markets that substantially matches the composition and characteristics of the market index benchmark. Investment in ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) is permitted. However, portfolios are expected to vary in terms of number of securities held and, from time to time, vary substantially from the index as measured by the statistical characteristics (e.g., country allocation, average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically determined by the Board. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities. Assets held in emerging markets (as defined by MSCI) may not exceed 30% of the portfolio, as measured by market value, unless approved in advance and in writing by the Board.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.
- 5) Currency Hedging: Currency hedging is at the investment manager's discretion.

Specific Guidelines for Global Equity Portfolios

Core Active Management

- 1) Description: Investment in a portfolio of equity securities of companies primarily listed or traded on exchanges and over-the-counter markets throughout the world. Investments in U.S. dollar denominated foreign securities, ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) are permitted. Portfolios are expected to vary in terms of number of securities held and, from time to time, vary from the index as measured by the statistical characteristics (e.g.,

average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.

- 2) Investment Constraints: As specifically stated in each manager's contract. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Style-Specific Active Management

- 1) Description: Investment in a portfolio of equity securities of companies primarily listed or traded on exchanges and over-the-counter markets throughout the world. Investments in U.S. dollar denominated foreign securities, ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts) are permitted. However, portfolios are expected to vary in terms of number of securities held and, from time to time, may vary from the index as measured by the statistical characteristics (e.g., average capitalization, industry or sector, price to earnings ratio, price to book ratio, dividend yield) of the portfolio.
- 2) Investment Constraints: As specifically stated in each manager's contract. Futures contracts may be used for the purpose of investing cash flows, but in no event may leverage be created by any individual security or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Specific Guidelines for Fixed Income Portfolios

Core

- 1) Description: Investment in a portfolio of fixed income securities that substantially matches the quality, coupon, maturity structure and duration characteristics of the benchmark index.
- 2) Investment Constraints: No securities may be held other than those which are publicly traded, dollar denominated debt securities of the US government, its agencies and municipalities, and US corporations, foreign sovereign governments and foreign corporations traded on U.S. exchanges which exhibit characteristics

consistent with the quality of the benchmark index, unless specifically approved by the Board. Rule 144A Securities that are included in the benchmark may be purchased. Futures contracts may be used for the purpose of investing cash flows or modifying duration, but in no event may leverage be created by any individual security or combination of securities.

- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Core - Enhanced

- 1) Description: Investment in a portfolio of fixed income securities that exhibits characteristics substantially similar to the benchmark index. Portfolios may vary in terms of number of securities held and, from time to time, vary moderately from the index as measured by the statistical characteristics (e.g., sector concentration, maturity, duration, and yield) of the portfolio. The portfolio must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent. Securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the Board. In the case of a split rating, the higher rating will be used. It is expected that the strategy employed will produce returns net-of-fees which exceed the benchmark index, and will not incur significantly greater risk.
- 2) Investment Constraints: No securities may be held other than those which are publicly traded, dollar denominated debt securities of the US government, its agencies and municipalities, US corporations, and Yankees (bonds that are U.S. dollar – denominated and issued in the United States by foreign entities), foreign sovereign governments and foreign corporations traded on U.S. exchanges which exhibit characteristics consistent with the quality of the benchmark index, unless specifically approved by the Board. Rule 144A securities that are included in the benchmark may be purchased, as well as those that are not included in the index, but meet the index liquidity constraints, have similar characteristics to the index 144A securities, and are issued by a public company. Futures contracts may be used for the purpose of investing cash flows or modifying duration only, and in no event may leverage be created by any futures contract, individual security, or combination of securities. All holdings will be of sufficient size and held in issues that are trading actively enough to facilitate transactions at a minimum cost and accurate market valuation.
- 3) Benchmark: See Appendix A.

- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Core - Active

- 1) Description: Investment in a portfolio of fixed income securities that exhibits characteristics similar to the benchmark index. Subject to the following limitations, portfolios may vary in terms of number of securities held and, from time to time, may vary from the index as measured by the statistical characteristics (e.g., sector concentration, maturity, duration, quality, yield) of the portfolio.

The portfolio must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent. Securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the Board. In the case of a split rating, the higher rating will be used.

The duration of the portfolio may not vary more than 20% above or below the duration of the benchmark index.

The total risk of the portfolio as measured by the standard deviation of a series of quarterly returns is expected not to exceed 125% of that of the benchmark index.

- 2) Investment Constraints: No securities may be held other than those which are publicly traded, dollar denominated debt securities of the US government, its agencies and municipalities, US corporations, Yankees, foreign sovereign governments and foreign corporations traded on US exchanges which exhibit characteristics consistent with the quality of the benchmark index, unless specifically approved by the Board. Rule 144A securities that are included in the benchmark may be purchased, as well as those that are not included in the index, but meet the index liquidity constraints, have similar characteristics to the index 144A securities, and are issued by a public company. Futures contracts may be used for the purpose of investing cash flows or modifying duration only, and in no event may leverage be created by any futures contract, individual security, or combination of securities. All holdings will be of sufficient size and held in issues that are trading actively enough to facilitate transactions at a minimum cost and accurate market valuation.
- 3) Benchmark: See Appendix A.
- 4) Currency Hedging: Currency hedging is prohibited unless approved in advance and in writing by the Board.
- 5) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

Core - Opportunistic

- 1) Description: Investment in a portfolio of fixed income securities that exhibits characteristics similar to the benchmark index. Subject to the following limitations, portfolios are expected to vary in terms of number of securities held and are expected to vary from the index in terms of statistical characteristics (e.g., sector concentration, maturity, duration, quality, yield) of the portfolio.

The portfolio must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent. No more than 20% of the portfolio may be rated lower than Baa3 (Moody's) or the equivalent. Securities must be rated at least B3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the Board. In the case of a split rating, the higher rating will be used.

No more than 20% of the portfolio may be invested in non-US dollar denominated government or non-US dollar denominated corporation securities. The portfolio may not be invested in emerging markets' securities.

The duration of the portfolio may not vary more than 20% above or below the duration of the benchmark index.

The total risk of the portfolio as measured by the standard deviation of a series of quarterly returns is expected not to exceed 150% of that of the benchmark index.

- 2) Investment Constraints: No securities may be held other than those which are publicly traded, dollar denominated debt securities of the US government, its agencies and municipalities, US corporations, Yankees, foreign sovereign governments and foreign corporations traded on US exchanges which exhibit characteristics consistent with the quality of the benchmark index, unless specifically approved by the Board. Rule 144A securities that are included in the benchmark may be purchased, as well as those that are not included in the index, but meet the index liquidity constraints, have similar characteristics to the index 144A securities, and are issued by a public company. Futures contracts may be used for the purpose of investing cash flows or modifying duration only, and in no event may leverage be created by any futures contract, individual security, or combination of securities. All holdings will be of sufficient size and held in issues that are trading actively enough to facilitate transactions at a minimum cost and accurate market valuation.
- 3) Benchmark: See Appendix A.
- 4) Currency Hedging: Currency hedging is at the investment manager's discretion.

- 5) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

TIPS – Index

- 1) Description: Investment in a portfolio of U.S. Treasury Inflation Protection Securities (TIPS) that substantially matches the quality, coupon, maturity, structure and duration characteristics of the benchmark index.
- 2) Investment Constraints: No securities may be held other than those publicly traded, dollar denominated Treasury debt securities of the U.S. Government unless specifically approved by the Board. Futures contracts may be used for the purpose of investing cash flows or modifying duration only and in no event may leverage be created by any futures contract, individual, or combination of securities.
- 3) Benchmark: See Appendix A.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in each manager's contract in negotiations with Staff.

SECTION 8. GUIDELINES FOR THE CUSTODIAN

The Board recognizes that accurate and timely completion of custodial functions is necessary for effective investment management and accurate records. All custodians have a fiduciary duty to Fund assets. The following Fund-related custodial responsibilities have been identified by the Board:

- 1) Provide complete custody and depository services for the designated accounts.
- 2) Provide for prompt investment of any cash to avoid uninvested amounts.
- 3) Implement in a timely and effective manner the investment actions as directed by the Investment Manager(s).
- 4) Collect and receive all income and principal realizable and properly report transactions in periodic statements.
- 5) Provide monthly and annual accounting statements as well as on-line access accounting for the Fund, including all transactions; these should be based on accurate security values both for cost and market value. These reports should be provided within a time frame acceptable to the Board.
- 6) Report to the staff situations where security pricing is either not possible or subject to considerable uncertainty.
- 7) Distribute to the Investment Manager(s) in a timely manner all proxy voting materials.
- 8) Provide assistance to the Board and Staff, to complete such activities as the annual audit, transaction verification and other issues.
- 9) As requested by Board, provide performance measurement and portfolio analytics for the Fund, consistent with AIMR standards.
- 10) When directed by the Board, and pursuant to a separate, written agreement for securities lending service, implement, in a fair and equitable manner, a securities lending program for the Fund, and report fully on all aspects of its operation and returns.
- 11) The Custodian shall cooperate fully and with all reasonable requests for documents and records made by the Board or a Consultant designated by the Board. The Board (on its own or through its Consultant) shall periodically review its Custodians, including but not limited to, services provided, services available, charges and fees, and reports.

SECTION 9. SECURITIES LENDING POLICY

Background

IC 5-10.2-2-13(d) provides that the Board may authorize a Custodian to enter into a securities lending program agreement under which securities held by the Custodian on behalf of the Fund may be loaned. The purpose of such a program is to provide additional revenue for the Fund. IC 5-10.2-2-13(d) provides that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower, and must be maintained at no less than the total market value of the loaned securities.

General Statement With Respect to Board's Intent

The Board intends to maintain a securities lending program, as the Board believes it provides a means of enhancing the overall Fund performance. The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification of the cash collateral portfolio and tightly controls exposure to fluctuating interest rates. The Board will evaluate the income attributable to the program and the risks inherent in the program. The Board expects each Custodian who has been authorized to enter into an agreement to evaluate at least annually the agent selected by the Custodian and the Board, to offer suggestions with respect to any possible improvements in the program, and to monitor the results of the program (e.g., income, costs associated with the program, issues that arise with respect to the program) and report to the investment staff as directed.

Method of Implementation

The securities lending program may be implemented through a Custodian or through a sub-agent of a Custodian. Subject to the approval of the Board, any current Custodian for the Fund may implement a securities lending program for the assets placed at that particular institution. Any Custodian may utilize a sub-agent at its discretion to conduct its securities lending program in lieu of maintaining an in-house capability. The use of any sub-agent must be approved in advance and in writing by the Board, and such approval may be revoked for any reason by the Board upon five (5) days written notice to the Custodian. It shall be the responsibility of the Custodian to ensure that their sub-agent adheres to all aspects of these Guidelines as well as any additional contracts which exist in addition to these Guidelines.

The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement.

Risk Controls

The Custodian and/or securities lending sub-agent will provide agreed upon indemnification to the Fund (the Lender) from and against any losses, damages, costs and expenses which arise from a borrower defaulting on a loan or filing for bankruptcy. Upon notification of default by the borrower, which shall be reported immediately to the Board in writing, the Custodian shall take such actions as are prudent, necessary and appropriate to use the collateral to acquire replacement securities of the exact same type and kind as the securities which were loaned to the borrower. Any inability to acquire such securities shall be reported to the Fund and to the Investment Manager immediately.

The Custodian and/or securities lending sub-agent is responsible for conducting all appropriate and necessary due diligence on the borrowers and potential borrowers. The name of borrowers and potential borrowers shall be updated and provided to the Board promptly following the end of each calendar quarter.

The Custodian and/or securities lending sub-agent is responsible for ensuring that all loans are at least 100% collateralized. Specific requirements for the amount of collateral required for loans on each type of security, as well as the quality and guidelines for investment of such collateral shall be defined in the Securities Lending Agreement.

Securities shall not be loaned in excess of forty percent (40%) of the market value of Fund's assets (not be taken on an individual manager account-by-account basis) under the care of the Custodian, marked to market on a day-to-day but not on an intra day basis.

Cash collateral shall be invested by the Custodian, and/or its security lending sub-agent pursuant to the Addendum for Securities Lending Cash Collateral Reinvestment. All investments shall be subject to the prudent investor rule, IC 5-10.3-5-3.

The Fund shall direct the Investment Manager of the securities to notify the Custodian of any sales by no later than the trade date to permit the Custodian to effect timely return of loaned securities prior to or on the settlement date.

Monitoring

The Custodian and/or securities lending sub-agent is responsible for reporting fully on all aspects of the Securities Lending Program, including its operation and returns. The Custodian and/or securities lending sub-agent shall cooperate fully with all reasonable requests for documents and records made by the Board and/or an independent certified public accountant selected and retained by the Board to audit securities lending activities.

The Fund shall receive a monthly report of the securities on loan, the income received from loans, the Custodian's and sub-agent fees from loans, the composition of collateral, and the investment characteristics of the collateral. In addition to the monthly report, significant events which require additional reporting shall include but not be limited to borrower list changes, failed trades due to securities on loan, and collateral shortfalls.

SECTION 10. TRADING AND BROKERAGE POLICY

Introduction

The Board intends to fulfill its responsibility for the evaluation and management of transaction costs for the exclusive benefit of members and beneficiaries. To assist in accomplishing these duties, this security transactions policy has been approved by the Board.

Basic Principles

The Board requires that these principles guide all transactions for the Fund:

- 1) Best execution and lowest cost, (including commission costs and market impact) and providing benefits exclusively for members and beneficiaries of the Fund must apply to trades.
- 2) Efforts to reduce trading costs, in terms of both commissions and market impact, provided the investment returns of the Fund are not jeopardized, will be ongoing.
- 3) The Board will retain the ability to enter into brokerage commission recapture agreement(s).
- 4) The Board prohibits any self dealing on the part of any brokerage firm, including any with such a firm's broker affiliate, without specific prior authorization.

Basic Criteria for Selection of Brokerage Firm

The primary responsibility of the Board is to act as a fiduciary to the members and beneficiaries of the Fund. It is the intent of the Board that all transactions of publicly traded securities be effected through brokerage firms, regardless of location, in order to obtain the best execution and lowest cost of the transaction.

Subject to any direction from the Board, each Investment Manager will be responsible for the selection of brokerage firms, or automated trading systems through which trading will be completed for the Fund. Each Investment Manager is also responsible for conducting all appropriate and necessary due diligence on the brokerage firms it selects. Their selection must in all cases be for the exclusive benefit of the Fund's members and beneficiaries and should strive for best execution with lowest cost on trades.

Provided that the total return of a Investment Manager's Portfolio is not adversely affected or that the investment process is not affected so as to place the Fund in a disadvantageous position relative to the Investment Manager's other accounts, and

provided that best execution and lowest cost are obtained, each Investment Manager may be requested to direct a percentage of its trading to specified firms for the purpose of brokerage commission recapture programs. In such a case, the Board will select the brokerage firms, with the assistance of the Investment Managers, and establish the expected level of trading to be directed.

Review/Evaluation

At least annually, the investment staff will review all transactions and arrangements, if any, for compliance with these policies through an annual Trading Cost Analysis. The Investment Managers and Custodian(s) providing services shall provide any information necessary or helpful to this review.

Disclosure

In addition, each Investment Manager shall report at least annually on brokerage firms they are using and the terms of that relationship. This disclosure must cover all components of that relationship, including but not limited to, payment for order flow, soft dollars, covered expenses, and the nature of the broker selection process.

SECTION 11. PROXY VOTING POLICY

Introduction

The Fund is a large public pension fund and will become a significant equity investor in the stocks of corporate America. The Board recognizes its responsibilities as a fiduciary of the Fund. The Board believes that a proxy policy is an important element of its overall asset management. As an initial position, the Board believes a delegation of authority to other fiduciaries of the Fund, the Investment Managers, will be the most suitable approach.

Each Investment Manager who is retained by the Fund to buy, sell or manage common stocks which are Fund assets will have the responsibility of voting the common stock. To the extent that a third-party is used to assist in some aspect of the Investment Manager's proxy voting, the Investment Manager must inform the Fund of the third-party used and their exact responsibility. In completing this responsibility, each Investment Manager is expected to take these proxy voting guidelines into consideration.

Guidelines

The Investment Manager is to exercise its proxy voting authority for the exclusive benefit of Fund members and beneficiaries, realizing all Fund assets are governed by the exclusive benefit rule of the Internal Revenue Code applicable to qualified plans.

In voting the proxies of common stocks, the Investment Manager must act with the care, skill, prudence, and diligence of a prudent expert who is similarly situated and knowledgeable in the matters under consideration, as required under IC 5-10.3-5-3. The Board intends that this embody the most rigorous application of this standard, that the Investment Manager act with an eye solely to the best interests of the plan participants. *Leigh v. Engle*, 727 F2d 113, at 125.

These two requirements mandate that the Investment Manager conduct an individual review and analysis of each proxy issue prior to voting. In all cases, the long-term economic best interests of members and beneficiaries should guide the voting decisions.

Reporting Requirements

The Board intends to monitor the voting decisions of Investment Managers. To allow this to occur, each Investment Manager who votes shares of common stock will document such votes and report to the investment staff no less frequently than annually.

The report shall include at a minimum the following:

- 1) A description of the process the Investment Manager uses to ensure that reasonable steps have been taken to allow for the timely voting of all proxies on all stocks which are held as of the record date.
- 2) The action taken on routine proxies.
- 3) The action and rationale taken on non-routine proxies.
- 4) A description of actions in terms of any effects on members and beneficiaries of the Fund, the Indiana economy and any special Indiana issues.

Revocation of Voting Authority

The Board may revoke the authority of an Investment Manager to vote the shares of common stock held by presenting a written revocation of voting authority to the Investment Manager.

SECTION 12. STANDARDS FOR THE SELECTION OF INVESTMENT MANAGERS, CONSULTANTS AND CUSTODIANS

The Board realizes that from time to time it will need expert assistance in fulfilling its fiduciary duties. The Board expects to retain Custodians, Investment Managers and Consultants to provide such assistance. Each such entity selected will serve as a fiduciary to the Fund.

Basis for Selection

For any type of expertise or assistance which is to be retained by the Board, selection shall only be made based upon the demonstrated ability of the professional(s) to provide the expertise or assistance needed.

Process for the Selection of Professional Assistance

The process shall conform to the legal requirements for professional service procurement under the State statutes. When deemed necessary by Staff and with the approval of the Board, Consultants or other professionals not involved in the specific selection shall assist in the development of requirements, evaluation standards and analysis of responses for the selection process. It is the intent of the Board that the selection process be open to all qualified organizations wishing to participate.

SECTION 13. POLICY WITH RESPECT TO ALTERNATIVE INVESTMENTS

The Board of Trustees of the State of Indiana Public Employees' Retirement Fund (PERF or the Fund) hereby adopts the following Alternative Investment Policy Statement. Effective November 8, 2002, all alternative investments shall be made in accordance with this policy. The Board recognizes that these investments will be an initial user of capital and investment results will be difficult to assess during the first 3-5 years of the program.

The Board believes the Fund's equity returns can be enhanced, on a risk-adjusted basis, by investing a portion of its assets in alternatives. The strategic objective is to generate returns:

- 1) Superior to those available in the public equity market to compensate the Fund for the long term and illiquid commitments associated with alternative investments;
- 2) Above the median of comparative universe returns; and,
- 3) Approximately 300 basis points over public market equity investments, as measured by the Russell 3000 Index, net of fees and expenses.

General Statements With Respect to Board's Intent

The objective of the alternative investment program is to provide enhanced returns for the Fund, at an acceptable level of risk. All alternative investments shall be made consistent with Section 7 of PERF's Statement of Investment Policy (Policy). The role of the Board is to make strategic decisions with respect to this asset class. Alternative investment vehicles may include, but are not limited to, venture capital, corporate buyouts, real estate, and private placements. The Board may consider investing in these assets if and only if the vehicles meet all standards pursuant to Sections 5, 6 & 7 of the Policy.

The strategic allocations for alternative investments, as approved by the Board, are as follows:

Sub-categories	Target Allocations	Max/Min. Ranges
Private Equity	8%	0% to 10%
Real Estate	3%	0-5%

Commodities	2%	0-5%
Absolute Return Strategies	2%	0-5%

Portfolio construction will be designed to produce a return mix including both current income and capital appreciation, subject to these constraints:

- 1) To ensure diversification by vintage year and manager, no more than ten (10) percent of the Fund's total allocation to private equity portfolios may be committed to any one partnership, without the approval of the Board.
- 2) To ensure diversification by industry and geography, no more than 50% of the total alternative investments may be invested in securities or obligations of foreign entities issued outside the U.S.

While specific investments may incur losses of all or part of the capital invested, it is expected that a diversified portfolio of alternative investments will produce a positive return significantly in excess of publicly traded domestic equities. Diversifiable risks associated with this portfolio include position in the capital structure, the timing and amounts of cash flows, the size of the individual investments, and their sensitivities to business cycles. The risks associated with alternative investments will be viewed within the context of the entire Fund. The Board may overweight sub-asset classes within alternative investments to improve the Fund's risk/return posture when these investments are more attractive than other available opportunities.

The Fund may take advantage of opportunities in the secondary market to gain exposure to funds that have already begun drawing capital commitments and collecting management fees. Secondary purchases would be made with the following objectives:

- 1) To gain access to a Limited Partnership that was not available during its initial fundraising period;
- 2) To gain incremental return due to a discounted Partnership interest purchase price; and,
- 3) To manage the Alternative Investment program's cash flow profile (the 'J-curve') by avoiding part or all of the initial period of net negative cash flows and shortening the time to distributions from the Partnership (net positive cash flows).

Over the long term, it is expected that roughly equal amounts of new funding will be committed in each fiscal year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Specific Guidelines for Private Equity Portfolios

Buyout Investments

- 1) Description: Buyout investments typically involve the purchase of a control position (primarily majority positions, with some minority positions) in an established company with or without leverage. Investments are typically made in years one (1) through three (3) and returns typically occur in years three (3) through six (6).
- 2) Investment Constraints: No more than 35% of total private equity net assets may be invested in a single industry sector of the domestic economy.
- 3) Benchmark: 500 basis points above the Russell 3000 Index over a complete market cycle.

Venture Capital Investments

- 1) Description: Venture capital investments are seed stage, early stage, later stage, and expansion stage investments. Investments are often made in years one through five and returns typically occur in years four through eight.
- 2) Investment Constraints: No more than 50% of total private equity net assets may be invested in a single segment within a particular industry.
- 3) Benchmark: 500 basis points above the Russell 3000 Index over a complete market cycle.

Debt Related & Special Situation Investments

- 1) Description: Debt-related investments combine a debt instrument, which provides a current yield, with an equity participation of warrants, etc. Investments are typically made in years one through three with a high level of current income that is combined with capital appreciation supplied by the warrants or other "equity kickers". Special Situations investments can encompass any variety of investments; a good example is a distressed fund that is seeking to invest in stressed and distressed assets.
- 2) Investment Constraints: No more than 10% of total private equity net assets may be invested in equity or debt related real estate assets. No purchase of securities on margin or otherwise borrow funds for the purpose of purchasing securities.
- 3) Benchmark: 300 basis points above the Russell 3000 Index over a complete market cycle.

Specific Guidelines for Real Estate Portfolios

REITS

- 1) Description: A portfolio which invests in a pool of publicly traded real estate securities, providing capital appreciation, inflation protection, and current income.
- 2) Investment Constraints: The strategy must invest in real estate securities traded on public exchanges in the United State, Europe, or Asia.
- 3) Benchmark: EPRA/NAREIT Global Real Estate Index

Core Private Real Estate

- 1) Description: Direct private investment in equity real estate funds, private REITs, joint ventures, and partnerships. Core real estate funds typically provide more current income than Value-Added/Opportunistic real estate but less potential for capital appreciation. Core also typically uses less leverage (debt financing) than Value-Added/Opportunistic real estate.
- 2) Investment Constraints: No more than 50% leverage may be used at the portfolio level without prior board approval.
- 3) Benchmark: NCREIF or NFI-ODCE.

Value-Added/Opportunistic Private Real Estate

- 4) Description: Direct private investment in equity real estate funds, private REITs, joint ventures, and partnerships. Opportunistic or value-added funds typically provide less current income than core real estate, and use more leverage (debt financing) than core real estate.
- 5) Investment Constraints: No more than 80% leverage for a value-added fund without prior board approval.
- 6) Benchmark: NCREIF plus 200 basis points for value-added funds and NCREIF plus 500 basis points for opportunistic funds.

Specific Guidelines for Commodities Portfolios

Commodities

- 1) Description: Investment in a portfolio of commodities related securities, including futures, options, swaps, and listed securities, that substantially matches the composition and characteristics of the benchmark index.
- 2) Investment Constraints: Only dollar denominated securities may be held, unless specifically approved by the Board.
- 3) Benchmark: Specific benchmarks will be established in the contract for each manager/strategy.
- 4) Tracking Error: Specific guidelines regarding tracking error will be established in the contract for each manager/strategy.

Specific Guidelines for Absolute Return Portfolios

Absolute Return (AR) Strategies

- 1) Description: Investment in a diversified portfolio of assets that is diversified across different asset classes and investment strategies with the objective of producing equity-like returns with bond-like volatility. Focus should be place on the long-term preservation of capital. These portfolios are not typically constrained to an individual asset class, but are intended to augment total return to the Fund by utilizing unique and flexible investment strategies that are relatively uncorrelated

with the Fund's other asset classes. These may include, but are not limited to: long/short equity, event driven, convertible arbitrage, equity market neutral, fixed income arbitrage and others.

- 2) Investment Constraints: At the point of investment, not more than \$75 million may be invested in any single AR fund, exclusive of fund-of-fund relationships, without prior approval by the Board of Trustees.
- 3) No investment will be made in a fund that has a "lock up" or non-redemption provision in excess of 36 months unless without prior approval by the Board of Trustees.
- 4) Benchmark: Over a 3 to 5 year period, portfolio benchmark of:
 - Annual net returns: 300 basis points above 3-month LIBOR
 - Annual volatility: 4% to 6% standard deviation of monthly returns
 - Downside protection: No more than 5% loss of capital over any cumulative period of one year or longer
- 5) Tracking Error: Not Applicable.

Additional Considerations

The Board encourages investment opportunities that support economic development in Indiana, through investment in private equity funds that focus on Indiana and the Midwest, in accordance with its standards for prudent investments and its guiding principles. The Board further encourages its staff, consultants and general partners (GPs) to be proactive in the community, state and region in sourcing attractive partnering opportunities. Such opportunities must be consistent:

- 1) with investment types found in approved sub-asset classes as noted above; and
- 2) meet the investment management and performance standards as set forth in Sections 6 & 7 of the Fund's overall investment policy.

Submissions will be channeled to appropriate partners and managers of the Fund known to have an expertise in evaluating similar opportunities. The staff, consultant, and GPs will endeavor to become a conduit between Indiana opportunities and the investment management community nationwide.

APPENDIX A

BENCHMARKS FOR INVESTMENT MANAGERS

ASSET CLASS	Sub-Asset Class	Benchmark
Fixed Income - CORE:	Core	LB Agg. Index
	Core – Enhanced	LB Agg. Index
	Core – Active	LB Agg. Index
	Core – Opportunistic	LB Agg. Index

Fixed Income - TIPS:	TIPS – Index	LB TIPS US Index
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Domestic Equity:	Index	Russell 1000
	Enhanced Index	Russell 1000
	Large Cap Core	Russell 1000
	Large Cap Value	Russell 1000 Value
	Large Cap Growth	Russell 1000 Growth
	Mid Cap Value	Russell Mid Value
	Mid Cap Growth	Russell Mid Growth
	Small-Mid Cap Value	Russell 2500 Value
	Small-Mid Cap Growth	Russell 2500 Growth
	Small Cap Value	Russell 2000 Value
	Small Cap Growth	Russell 2000 Growth

ASSET CLASS	Sub-Asset Class	Benchmark
International Equity:	International Index	MSCI EAFE or MSCI EAFE IMI
	International Enhanced Index	MSCI ACWI ex-US
	International Core	MSCI EAFE or MSCI EAFE IMI
	International Value	MSCI ACWI ex-US
	International Growth	MSCI ACWI ex-US

Global Equity:	Global Core	MSCI ACWI Free
	Global Value	MSCI ACWI Free
	Global Growth	MSCI ACWI Free

Securities Lending:

Cash Collateral Reinvestment – specific guidelines for this asset class are covered in an Addendum to this Policy.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR SECURITIES
LENDING COLLATERAL REINVESTMENT**

Originally Adopted June 9, 2000

Last Restated December 17, 2004

I. INTRODUCTION

A. Purpose of the Addendum to the Indiana Public Employees' Retirement Fund Restatement of Investment Policy

This Addendum restates and now contains the guidelines for securities lending cash collateral reinvestment.

B. Statutory Authority

Pursuant to IC 5-10.2-2-13, the Board has the authority to maintain a securities lending program.

II. OBJECTIVES AND STRUCTURE OF THE CASH COLLATERAL REINVESTMENT PROGRAM

The cash collateral fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing cash collateral of this section in high quality fixed income (or adjustable rate) securities. Cash collateral investments emphasize liquidity and principal preservation as prime objectives. Within quality, maturity, and market sector diversification guidelines, investments are made in those securities with the most attractive yields.

III. PERMITTED INVESTMENTS

In reinvesting cash received as collateral pursuant to Securities Lending Agreements, including income received from such collateral, the Securities Lending Agent is authorized and directed to use any of the following types of investments (the "Permitted Investments"):

- A. Short term obligations of corporations, including but not limited to commercial paper, promissory notes, master variable demand notes, and private placements whose commercial paper is rated in the highest category of at least two nationally recognized securities rating organizations (NRSRO) at the time of purchase, or if the corporation has not received a rating from any NRSRO, the security must meet such standards as may be necessary to be assigned a "highest category" rating, as determined by the Securities Lending Agent.
- B. Loan participation certificates of corporations whose commercial paper is rated in the highest category of at least two NRSROs at the time of purchase, or if the corporation has not received a rating from any NRSRO, the security must meet such standards as may be necessary to be assigned a "highest category" rating, as determined by the Securities Lending Agent.
- C. Short term obligations of banks, including, but not limited to, certificates of deposit, bankers' acceptances, and time deposits, [including without limitations any such instrument issued by the Securities Lending Agent or one of its affiliates.]
- D. Short term obligations of the United States Government or its agencies.

- E. Repurchase agreements. Permitted collateral shall be: bonds or notes issued by the United States Treasury, or other securities guaranteed as to principal and interest by the Government of the United States, its agencies, instrumentalities or establishments; mortgage-backed securities sponsored by agencies of the Government of the United States; corporate obligations of domestic and foreign issuers with a minimum rating of AA- by Standard & Poor's Corporation ("S&P") or Aa3 by Moody's Investor Services, Inc. ("Moody's"); asset-backed securities with a minimum rating of AAA of S&P or Aaa by Moody's or money market instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper issued by domestic issuers with a minimum rating of A-1 by S&P and P-1 by Moody's). A repurchase agreement shall be deemed to be an acquisition of the underlying securities, provided that the obligation of the seller to repurchase the securities from the Fund is fully collateralized.
- F. Short term investments (taxable or tax-exempt) of municipalities, including but not limited to, commercial paper, variable rate demand notes, and medium term notes, rated in the highest category of at least one NRSRO at the time of purchase, or in the case of credit enhanced obligations, the issuer of the credit enhancement shall be rated in the highest category of at least one NRSRO.
- G. Asset backed securities, including securities secured by, but not limited to, auto and truck loans, credit card receivables, home equity loans, company receivable and leases, which are rated in one of the top three categories of at least one NRSRO at the time of purchase. All asset backed securities shall have a floating rate of interest.
- H. Money market mutual funds registered under the Investment Company Act of 1940, as amended, and subject to the Rule 2a-7 restrictions, but not including such funds issued by an affiliate of the Securities Lending Agent.

IV. CONCENTRATION OF COLLATERAL INVESTMENTS

The Securities Lending Agent shall limit its investment to 5% of the market value of cash collateral in the securities of any one issuer at the time of purchase. The Securities Lending Agent shall limit its investment to 25% of the market value of the cash collateral in repurchase agreements with any single counter party at the time of purchase. The Securities Lending Agent shall limit its investment to 25% of the market value of cash collateral in a money market mutual fund at the time of purchase. There shall be no restriction with respect to purchases of U.S. treasury and agency securities.

V. MATURITY GUIDELINES

- A. All instruments must have a Final Maturity at the time of purchase that does not exceed two years. Final Maturity for purposes of these guidelines means the

earliest of (i) the date noted on the face of the instrument as the date on which the principal amount must be paid; (ii) in the case of an instrument with an unconditional par or unconditional demand feature, the date on which the principal amount of the instrument can be recovered by demand; or (iii) in the case of a floating rate instrument, the next readjustment of the interest rate, provided that, if the maturity of a floating rate instrument is determined by reference to an unconditional put or unconditional demand feature, the period remaining between adjustments of the interest rate must not exceed two years. A floating rate instrument shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate, for purposes of calculating days to maturity of the instrument and the portfolio's weighted average maturity.

- B. A repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where no date is specified, but the agreement is subject to a demand, the notice period applicable to a demand for the repurchase of the securities.
- C. Adjustable rate mortgages will have a maturity equal to the period remaining until the last principal payment is required by the terms of the underlying obligation to be paid.
- D. The fund's maximum weighted average days to maturity may not exceed 60.
- E. No more than 25% of the value of the fund's portfolio may have a final maturity of more than one year, and in no event more than two years.

VI. PROHIBITED INVESTMENTS

- A. Equity securities (except that equity securities, such as owner trust certificates that have predominant debt characteristics shall not be prohibited).
- B. Floating rate securities with an interest rate cap, with the exception of those capped at a rate in excess of 20% to comply with state usury laws.
- C. Only U.S. Dollar denominated securities will be permissible under these guidelines.
- D. The Fund will not invest in any instrument whose coupon rate will move in the opposite direction of the index to which such instrument is tied. In addition, in the event that the fund invests in any instrument whose coupon rate moves when the index to which such rate is tied moves, the Fund shall invest only in those of such instruments whose movements in the coupon rate are equivalent to movements in the index.
- E. The Fund may not purchase securities based on either an S&P, Moody's, Fitch, or Duff rating where the rating organization has announced publicly that it is examining the rating for a possible downgrade. This limitation does not apply to securities rated A1+ by S&P.

- F. In the event that a security held in the portfolio falls below the minimum guideline as a result of being downgraded by either S&P, Moody's Fitch, or Duff, Securities Lending Agent will notify the client and await instructions.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
ANNUITY SAVINGS ACCOUNT**

Originally Adopted March 2, 1998

Last Restated February 9, 2007

I. INTRODUCTION

A. Purpose of the Addendum to the Indiana Public Employees' Retirement Fund Restatement of Investment Policy

The Board adopted an Investment Policy Statement covering all the Fund's other assets (except for the Pension Relief Fund, the Legislators' Defined Contribution Plan and the Annuity Savings Accounts) on September 12, 1997. This Addendum to the Indiana Public Employees' Retirement Fund Restatement of Investment Policy is intended to assist the Board of Trustees ("Board") of the Indiana Public Employees' Retirement Fund ("Fund") in managing the investment program established for the Annuity Savings Accounts.

B. Statutory Authority

The Annuity Savings Accounts are bookkeeping accounts established for each member of the Fund. The member's account is credited with the member's 3% contribution (whether paid by the member or "picked-up" by the employer). The member has investment direction to several alternative funds or may leave their account in the "guaranteed fund." The guaranteed fund affords the member a "risk free" protection on all contributions credited to that member's account, plus all previously credited interest (at an interest rate determined by the Board each year). Legislation has been enacted that will substantially enhance the members' investment direction opportunities, effective July 1, 1998. These accounts produce an additional separate benefit from the fixed-formula employer-funded pension benefit. The Annuity Savings Accounts are subject to the following provisions:

1. The Board must maintain a "guaranteed fund" option. IC 5-10.2-2-3(b).
2. The Board must maintain an indexed stock fund option. IC 5-10.2-2-3(c)(1).
3. The Board must maintain a bond fund. IC 5-10.2-2-3(c)(1).
4. The Board may establish any other options it wishes, so long as the options represent a variety of investment objectives. IC 5-10.2-2-3(c)(2).
5. Administrative costs of each of the options must be paid from the earnings on that option. IC 5-10.2-2-3(c)(4).
6. A valuation of each member's Annuity Savings Account must be completed as of the last day of each quarter. IC 5-10.2-2-3(c)(5).

C. Primary Focus

The primary focus of this Addendum to Investment Policy Statement is to:

1. Outline the number and characteristics of investment options selected by the Board for the Annuity Savings Accounts.

2. Provide rate-of-return objectives and establish formal criteria to monitor and evaluate the performance results of the various investment options.

II. OBJECTIVES AND STRUCTURE OF THE ANNUITY SAVINGS ACCOUNT INVESTMENT PROGRAM

This Policy has been structured to provide Plan members with a choice of five diverse options that offer a range of risk and return characteristics appropriate for members. A member can select between the options subject to the following conditions from IC 5-10.2-2-3(e):

- A. A member may make a selection or change an existing selection under rules established by the Board, but must be allowed to change at least once each quarter.
- B. The Fund must implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the Board. This date is the effective date of the member's selection.
- C. A member may select any combination of the Guaranteed Fund or any available alternative options, in ten percent (10%) increments.
- D. A member's selection remains in effect until a new selection is made.
- E. On the effective date of a member's selection, the Fund must reallocate the member's existing balance or balances in accordance with the member's direction, based on the market value for an alternative investment option on the effective date and by account balance for any Guaranteed Fund balance on the effective date. The Fund shall not reallocate the member's account at any other time.
- F. All further contributions to the member's account shall be allocated in accordance with the member's most recent effective direction.

The options currently include:

1. Guaranteed Fund
2. Bond Fund
3. S&P 500 Index Fund
4. Small Cap Equity Fund
5. International Equity Fund
6. Money Market Fund

The number and types of investment funds available will be periodically reviewed by the Board in order to ensure a diversity of investment alternatives, adequate and reasonable availability of investment types, and clarity and usefulness of the investment choices. The objective will be to provide, on an ongoing basis, a broad array of investment choices representing diverse investment types described by the underlying capital markets, investment return expectations and risk expectations

(defined as volatility of investment return). The Board will also review the investment managers of the funds as provided for in Sections 6 and 7 of the Statement of Investment Policy.

Annually, the Fund is required to prepare a separate analysis of the fund options for distribution of the participants describing recent and historical performance results in terms expected to be understandable to the average participant. This analysis must:

- A. Include a description of the procedure for changing the member's investment allocations;
- B. Be understandable by the majority of members; and
- C. Include a description of prior investment performance.

IC 5-10.2-2-3(d).

III. INVESTMENT POLICY GUIDELINES

A. Guaranteed Fund

The investment of the Guaranteed Fund will be part of the overall PERF general investment portfolio. The objective of the Guaranteed Fund is to provide investment in a broad array of stocks and bonds including investment in international equities in proportions designed to balance the return benefit expected of stocks with the lesser volatility of bonds. The Guaranteed Fund will be invested in the same manner as PERF, which investment program has been deemed to be consistent with the investment objective of this Fund. The Guaranteed Fund will be invested according to Section 5, Asset Allocation, of the Statement of Investment Policy, and according to the investment guidelines established in Section 7 of the Statement of Investment Policy.

B. Bond Fund

The objective of the Bond Fund is to provide investment in the broad domestic bond market. The Bond Fund will be invested according to the specific guidelines of the core, index fixed income portfolio as established in Section 7 of the Statement of Investment Policy.

C. S&P 500 Index Fund

The investment objective of the S&P Index Fund is to provide investment in the broad domestic equity market. The Fund will be invested according to the specific guidelines for the core, index equity portfolio as established in Section 7 of the Statement of Investment Policy.

D. Small Cap Equity Fund

The investment objective of the Small Cap Equity Fund is to provide investment in the stock of smaller domestic companies, typically referred to as small cap stocks. The Fund will be invested according to the specific guidelines for the core, enhanced index equity portfolio (with the index being a small capitalization market benchmark) as established in Section 7 of the Statement of Investment Policy.

E. International Equity Fund

The investment objective of the International Equity Fund is to provide a broad exposure to foreign equity markets of companies based outside the United States. The Fund will be invested according to the specific guidelines for the international equity index portfolio as established in Section 7 of the Statement of Investment Policy.

F. Money Market Fund

The investment objective of the Money Market Fund is to provide investment in short-term, principal preserving securities. The Fund will be invested according to the specific guidelines for Short-Term Active Management – domestic fixed income portfolios, as established in Section 7 of the Statement of Investment Policy.

IV. PERFORMANCE OBJECTIVES

The Board has determined that it is in the best interest of the Plan's participants and beneficiaries that performance objectives be established for each investment alternative and it is clearly understood that these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Addendum. The performance of each individual option will be evaluated relative to a market index and to a meaningful peer group of active managers. The evaluation of performance results will be accomplished according to the standards established in Section 6 of the Statement of Investment Policy. Specific benchmarks for each option are delineated below.

- A. Guaranteed Fund - Composite of various benchmarks of PERF general portfolio
- B. Bond Fund - Lehman Brothers Aggregate Bond Index
- C. S&P 500 Index Fund - Standard & Poor's 500 Index
- D. Small Cap Equity Fund - Russell 2000 Index
- E. International Equity Fund – Morgan Stanley Capital International (MSCI) Europe Australasia Far East (EAFE) Index
- F. Money Market Fund – 90-day Treasury Bill Rate

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
PRIVATE EQUITY INVESTMENT PROCEDURES**

Originally Adopted March 2, 1998

Last Restated December 21, 2007

I. PRIVATE EQUITY INVESTMENT PROCEDURES

The Board of Trustees (the "Board") of the Public Employees' Retirement Fund (the "Fund") is committed to utilize a public and competitive process in making its partnership investment decisions. Since direct investing in private equity deals is a highly specialized process, and requires the input of a dedicated team of experienced professional staff, the Fund will avoid direct investing at the asset level as a means of implementing the Alternative Investment program.

A. General Comments

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exists major competition for deal flow on the part of both investors and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership agreement impose a passive role to the limited partner investors. These contractual arrangements are long-term in nature and provide the general partner or sponsor a reasonable time horizon to wisely invest capital, add value through intensive operational management, then harvest the fruits of such an investment. Moreover, terms of the partnership are proposed by the general partner and are critical to the economic incentives and ultimate performance of the partnerships.

B. Investment Strategy and Plan Guidelines

To strengthen the diversification of the investments, several guidelines should be utilized in staff's formulation and recommended annual investment strategy and plan. These guidelines encompass the types of investment vehicles that can be utilized, controlling financing stage risks, industry concentration limits, acceptable contact with general partners, appropriate sizes for investments, and the preferred alignment of interests.

Specific guidelines should focus on the following important attributes of particular partnerships:

1. Investment Vehicles: Staff may utilize the following investment vehicles within the private equity portfolio: private limited partnerships; group trusts; limited liability companies; and co-investments alongside the Fund's existing successful general partners.
2. Investment Timing Risks: Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across

- business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and to access attractive limited partnerships previously unavailable to the Fund during the initial fundraising period.
3. Industry Concentration: The portfolio will be exposed to companies in a variety of industries. For venture capital, however, it is recognized that opportunities may be most readily realized in a selected number of industries.
 4. General Partner Diversification: Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. For sponsors whose acumen is more financial than operational the deal flow should emphasize proprietorship.
 5. Investment Size: The Fund will be restricted from owning more than a 15% economic interest in any one vehicle, without written Board approval. The planned annual total investment commitments, which shall be subject to Board approval, shall not exceed five percent (5%) of the total portfolio market value of the Fund's assets as of June 30th prior to the beginning of the calendar year.
 6. Alignment of Interests: Staff shall actively negotiate partnership agreements on behalf of the Fund with a prime directive to ensure that interests of the general partner are aligned with those of the Fund and supported by all other similar limited partners. This should include a competitive fee structure with participating interest in the investment for the commensurate risks being taken. Staff will also delineate between sweat and cash equity being committed by the general partner with an emphasis on the latter with respect to the Fund's preferred alignment tool.
 7. Special Services: Due to the complex nature of alternative investment formats and the acknowledgement private equity is a very high risk market, expert legal counsel will be retained by staff on as needed basis. From time to time the staff or the consultant may be required to engage specialized firms to investigate principals for integrity, ethical problems, tax-related issues, etc. prior to an investment subscription. Specialized firms may also be engaged to handle non-cash distributions from private partnerships.

C. Investment Selection Criteria

In building a private equity portfolio, the Fund's aim is to select the highest quality partnerships that will in turn offer a diversified private equity portfolio designed to outperform the targeted benchmarks outlined in Section 13. By carefully assembling a group of partnerships headed by superior investment professionals within the range of those categories outlined in Section 13, the Fund's goal is to capture above average returns available by private market investing.

Sponsorship consideration will focus on the following important relative characteristics:

1. Quality and stability of the general partnership team
2. Previous investment track record
3. Proposed investment strategy
4. Legal and economic terms governing the partnership structure
5. Fit within the defined investment categories in Section 13
6. Contribution to geographic and industry diversification of the portfolio

D. Implementation & Authority

Staff will make every effort to present worthwhile opportunities to the Board during a regularly scheduled Board meeting, while providing the Trustees with sufficient time to adequately familiarize themselves with each investment opportunity and its fit within the private equity program. Staff and Consultant will present a "Preliminary Due Diligence Report" to the Board prior to completing final due diligence. Final due diligence, including an on-site visit, will be completed prior to execution of a binding subscription agreement. The Board also recognizes that investment opportunities requiring more immediate action may be presented which may enhance the long-term performance of the Fund. Should such an investment opportunity arise, Staff and consultant may request that the full Board convene between regularly scheduled meetings, via conference call, to review investments and approve proceeding with additional due diligence. The Fund in this asset class grants the following decision-making and management authority:

1. Role of the Board
 - a. Annual Investment Strategy and Plan review.
 - b. Approve commitments to specific partnerships or other specific alternative investments
 - c. Approve commitments/sales as part of a need to rebalance the portfolio.
 - d. Approve renegotiated deal terms and exit strategies for troubled investments.
2. Role of the Staff

- a. Annually provide recommendations to the Board of changes to the Investment Strategy and Plan.
 - b. Evaluate prospective partnership management and its prepared offering materials, on an as-needed basis.
 - c. Assign appropriate staff members, in conjunction with the independent consultant, to source and review all investment opportunities. The decision to reject investment opportunities is delegated to Staff, with the stipulation that all submissions receive equal opportunity.
 - d. Conduct preliminary strategy and organizational due diligence of attractive partnership opportunities, with the consultant, prior to seeking the approval of the Board.
 - e. Convene the Board, in any way reasonably possible and on an as-needed basis, to review investment recommendations.
 - f. Recommend the selection of partnership(s)/vehicle(s) or the sale of an existing interest in a partnership/vehicle to the Board as appropriate.
 - g. Upon approval by the Board, conduct final due diligence including review and negotiation of new partnership agreements.
 - h. If final due diligence yields no objections in Staff's and Consultant's joint opinion, execute contracts and provide funds to the selected partnerships/vehicles at recommended commitment levels.
 - i. Review and negotiate amendments to existing agreements prior to their execution.
 - j. Monitor and review investment vehicles for adherence to objectives and guidelines.
 - k. Meet with partners regularly and, where invited as appropriate and at its sole discretion, sit on advisory boards on behalf of the Fund. Compensation from the general partner is prohibited, other than reimbursement of reasonable travel expenses for the attendance of advisory board meetings.
 - l. Oversee the liquidation of in-kind distributions from partnerships in an orderly manner.
 - m. Annually evaluate performance measurement and record keeping systems.
 - n. Annually evaluate the performance of the independent consultant.
3. Role of the Independent Consultant
- a. Annually review the private equity portfolio for which the Independent Consultant has been retained, and evaluate such portfolio's investment strategy, as it relates to the overall Fund.
 - b. Provide performance reports to staff on a quarterly basis.
 - c. Provide the Board and staff with relevant, reliable and timely research and information requests to fulfill their responsibilities.

- d. Regularly review and discuss the investment strategy, and other relevant issues, with staff.
 - e. Assist staff in establishing appropriate asset allocation targets and ranges.
 - f. Monitor and review partnerships and vehicles on an ongoing basis, for adherence to objectives and guidelines.
 - g. Monitor existing partnerships and vehicles on an ongoing basis and, when appropriate, recommend their sale or replacement to staff.
 - h. Assist staff in conducting partnership due diligence and in negotiating business terms and appropriate structural incentives.
4. Contract Authority
- a. Upon Board approval the Executive Director shall have the full and complete authority to enter into all contracts on behalf of the Fund for investment consulting, custodian, recordkeeping, subscriptions, purchase and sale contracts, and investment management services.
 - b. The Executive Director may appoint one (1) person employed by the Fund to supervise and manage the contracts covered by this policy. This person shall have such authority as may be set forth in this policy or as may be delegated by the Executive Director in writing.
5. Contract Terms
- a. No contract shall obligate the Fund for a period in excess of fifteen (15) years. Any contract may contain one (1) or more option periods or provisions for extensions of the contract term, provided that any individual option period or extension does not exceed five (5) years in duration
6. Contract Conditions
- a. No contract with the Fund may contain any terms or provisions prohibited by Indiana or federal law.
 - b. If it is determined that any term or provision is invalid or unenforceable, such terms will be severed from the contract. The remaining terms and provisions shall be unimpaired and interpreted as if such invalid provisions were not contained in the contract.
 - c. In all contractual decisions, the Executive Director and the Board of Trustees shall take into account the particularly sensitive nature of the Fund and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, fairness, and integrity in the procurement process.
 - d. All decisions made under this policy by the Executive Director and the Board of Trustees shall be final except as otherwise specifically set forth in this policy.

- e. The Board of Trustees intends that its Investment Policy control in all circumstances.

7. Applicability

This policy is meant only to govern procedures for the investment in private equity consistent with Section 13 except for amendments, modifications, or extensions of existing contracts, unless the predominate purpose of an amendment or modification is to avoid the applicability of this policy.

However, if an emergency exists with respect to any Fund assets, the Executive Director or the Board of Trustees may take any actions they deem necessary and appropriate to safeguard the assets for a temporary period, until permanent disposition of those assets can be made under this policy.

8. Public Records

- a. Except as provided in subsection b, all documentation related to the above mentioned procedures shall be available for public inspection following execution of the contract, except to the extent the disclosure is prohibited by law.
- b. The Executive Director may except from public disclosure, at any time, procurement records that are exempt from mandatory disclosure under IC 5-14-3-4 and under the Alternative Investment Information Policy as adopted by the Board of Trustees.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
ALTERNATIVE INVESTMENT INFORMATION DISCLOSURE
POLICY**

Originally Adopted November 14, 2003

Last Restated December 17, 2004

I. ALTERNATIVE INVESTMENT INFORMATION DISCLOSURE

In order to comply with the Access to Public Records Act ("APRA"), specifically, IC 5-14-3-1, et seq., the Board of Trustees ("Board") of the Indiana Public Employees' Retirement Fund ("PERF" or "the Fund") hereby adopts this policy regarding disclosure of private equity investments.

A. General Principles

The Board appreciates its public role as an independent body corporate and politic exercising its responsibility to be publicly accountable for its investment decisions made on behalf of the participating public employees of the State of Indiana. As a separate corporate body, the Board is required to comply with the public records provisions of APRA.

Generally, public records of the Board must be available for public disclosure. However, APRA prohibits disclosure of records that contain trade secrets. APRA provides that records containing trade secrets may not be disclosed by a public agency unless specifically required by statute or under the rules of discovery. See IC 5-14-3-4(a)(4).

Therefore, in order to comply with the APRA, the Board adopts this disclosure policy with respect to investments made within the alternative investment portfolio of the Fund.

B. Alternative Investments Disclosure Policy

Subject to the procedures and any other restrictions applicable under the APRA, the Board will allow the Staff of PERF to disclose information such as the legal name of partnership investments, general partners, or investment managers that have been selected by the Board as alternative investment managers. PERF will also disclose a summary of the aggregate returns of the alternative investment portfolio.

However, in order to comply with APRA's prohibition on disclosure of the records that contain trade secrets, the Board and Staff of PERF are prohibited from disclosing any information on the underlying investments made by the partnership or managers and their individual performance contribution to the alternative investment portfolio.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
INVESTMENT PROCUREMENT**

Originally Adopted June 8, 2000

Last Restated December 17, 2004

I. ADDENDUM TO INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND RESTATEMENT OF INVESTMENT POLICY FOR INVESTMENT PROCUREMENT

The Board of Trustees of the Public Employees' Retirement Fund ("Fund") is committed to utilize a public and competitive process in making its investment procurement decisions.

A. Procurement Authority

1. The Executive Director, with approval of the Board of Trustees, shall have the full and complete authority to enter into all contracts on behalf of the Fund for investment consulting, custodian, and investment management services.
2. The Executive Director may appoint one (1) person employed by the Fund to supervise and manage the contracts covered by this policy. This person shall have such authority as may be set forth in this policy or as may be delegated by the Executive Director in writing.

B. Procurement Policy

1. In all procurement decisions, the Executive Director shall take into account the particularly sensitive nature of the Fund and shall consider the competence, quality of product, experience, and timely performance of the vendors in order to promote and ensure security, fairness, and integrity in the procurement process.
2. All decisions made under this policy by the Executive Director shall be final except as otherwise specifically set forth in this policy.
3. The Board of Trustees intends to operate with written contracts whenever feasible.
4. The Board of Trustees intends that its Investment Policy control in all circumstances.

C. Applicability

This policy is meant to govern the procurement of investment consulting, custodian, and investment management services, except for amendments, modifications, or extensions of existing contracts, unless the predominate purpose of an amendment or modification is to avoid the applicability of this policy. However, if an emergency exists with respect to any Fund assets, the Executive Director or the Board of Trustees may take any actions they deem necessary and appropriate to safeguard the assets for a temporary period, until permanent disposition of those assets can be made under this policy.

II. GENERAL PROCUREMENT

- A. The Executive Director or the Executive Director's designee shall procure services through the use of one of the following procurement methods or any combination thereof:
1. Request for proposals.
 2. Special procurement.
 3. Any other method or process which is approved by the Board of Trustees of the Fund for a specific contract, or series of contracts, for services, including, but not limited to, use of requests for information or prequalification.
- B. Request for Proposals
1. Unless one of the other methods applies, proposals shall be solicited through a request for proposal, which must include the following:
 - a. Factors or criteria that will be used in evaluating the proposals.
 - b. General statement concerning the relative importance of price and the other evaluation factors.
 2. Public notice shall be given in the manner described in this policy.
 3. Proposals shall be opened so as to avoid disclosure of contents to competing firms during the process of negotiation.
 4. A register of proposals shall be prepared and must be open for public inspection after contract award. The register of proposals must contain the following:
 - a. Copy of the request for proposals.
 - b. Listing of all proposals received.
 - c. General basis on which award was made.
 - d. Entire contents of the contract file except for proprietary information or financial information which was not required to be made public by the terms of the request for proposal itself.
 5. The request for proposal will contain a clear statement as to whether or not any communication with the Fund may be initiated by a respondent after publication of the request for proposal and before final selection, what may be contained in such communication, who the respondent may contact, and whether or not the Fund will respond. However, the Fund reserves the right to discuss any part of any response at any time for the purpose of clarification. No member of the Board of Trustees, employee of the Fund, or consultant or advisor to the Fund shall have any communications with a respondent or a representative of the respondent about the respondent's proposal or the request for proposal after publication and before final selection, except as otherwise provided in the request for proposal. Respondents must be given equal access to any communications about the

request for proposal between the Fund and other respondents. The Fund will make available a recapitulation of the subject matter of any communication and the response of the Fund. The Fund may make such information available by posting it on the internet. Respondents must be accorded fair and equitable treatment with respect to any opportunity for discussion and revision of proposals. In conducting any communications, there must be no disclosure of any information derived from proposals submitted by competing respondents.

6. Award shall be made to the responsible respondent whose proposal is determined in writing to be most advantageous to the Fund, taking into consideration price and other evaluation factors set forth in the request for proposals, and the applicable provisions of IC 5-10.2 and 5-10.3.
7. The only factors or criteria that may be used in the evaluation of proposals are those specified in the request for proposals and the applicable provisions of IC 5-10.2 and 5-10.3.
8. Public notice of a request for proposal shall be made by publication at least once in one (1) newspaper of general circulation in Marion County, Indiana. The Executive Director may designate additional newspapers or industry publications for the publication of notice, such as Pensions and Investments. The Executive Director may send notices or requests for proposals by mail to prospective bidders or offerors known to the Executive Director to be reasonably susceptible to award of the contract. However, failure to give notice to a particular bidder or offeror does not invalidate a procurement under this rule.

C. Special Procurement

1. Notwithstanding any other provisions of this policy, the Executive Director may make, or authorize the Chief Investment Officer to make, special procurements:
 - a. When the current business process or continuity of services is a substantial consideration in the procurement;
 - b. When the Executive Director or the Chief Investment Officer states in writing the determination that there is only one (1) appropriate or viable source for the required service; or
 - c. When there is a reallocation of investment services among current service providers to the Fund.
2. A special procurement must be made with such competition (if any) as is practicable under the circumstances as determined by the Executive Director or Chief Investment Officer.

3. A written determination of the basis for the special procurement must be included in the contract file.

D. Cancellation; Rejection; Amendment of Solicitations

1. When the Executive Director, with approval of the Board of Trustees, determines that it is in the best interests of the Fund, any request for proposal may be withdrawn or cancelled. Additionally, the Executive Director may reject in whole or in part any bids, proposals, or offers that have been submitted at any time prior to the effective date of the resulting contract.
2. The reasons for the withdrawal, cancellation or rejection must be made a part of the record.
3. The Executive Director may amend any solicitation in any manner provided that notice is given in a manner reasonably calculated by the Executive Director to provide fair and equitable notice to the potential vendors.

E. Disclosure Requirements for Procurements

1. All respondents shall submit the information required by the process at the time of submission of its bid, proposal, or offer. Immediately prior to execution of a contract by a vendor, the vendor shall update the disclosures. The vendor shall be under a continuous duty, in accordance with the provisions of the vendor's contract.
2. The Executive Director may require such additional disclosures as may be desired for the purpose of enforcing, auditing, investigating, or confirming the accuracy of the disclosures or for any proper purpose.

F. Contract Terms

No contract shall obligate the Fund for a period in excess of five (5) years. Any contract may contain one (1) or more option periods or provisions for extensions of the contract term, provided that:

1. any individual option period or extension does not exceed five (5) years in duration; and
2. any individual option period or extension may become effective only upon the specific, affirmative exercise of the option, or the specific, affirmative agreement to the extension, by the Executive Director.

G. Contract Clauses

No contract with the Fund may contain any terms or provisions which are prohibited by Indiana or federal law. If it is determined that any term or provision is invalid or unenforceable, such terms will be severed from the contract. The

remaining terms and provisions shall be unimpaired and interpreted as if such invalid provisions were not contained in the contract.

H. Public Records

1. Except as provided in subsection 2, all procurement records shall be available for public inspection following award of the contract or cancellation of the procurement, except to the extent the disclosure is prohibited by law.
2. The Executive Director may except from public disclosure, at any time, procurement records which are exempt from mandatory disclosure under IC 5-14-3-4.

III. PROCUREMENT CLAIMS AND APPEALS

A. Application

Pursuant to IC 4-21.5-2-5(11), procurement decisions by the Fund or the Executive Director are not subject to IC 4-21.5. In lieu thereof, vendors or prospective vendors, shall follow the procedures of and have the remedies available under this policy in the event of a protest of any procurement decision of the Executive Director or his designee.

B. Appeal of Award or Decision to Award a Contract

1. Any prospective vendor may appeal the award or decision to award a contract by filing a written appeal within seventy-two (72) hours after the award, after receipt of notice of the award, or after the announcement of the decision to award is posted or published, whichever occurs first.
2. The only grounds for filing an appeal under this policy are as follows:
 - a. A procurement decision was not made in compliance with the procedures required by this policy.
 - b. A procurement decision was made in violation of any rules regarding ethics promulgated by the Fund.
3. The appeal shall be in writing and shall state the following, the decision which is being appealed, all grounds for the appeal, and any other information necessary to identify the contract, bid, or request involved in the appeal. It shall also include all evidence or supporting material the prospective vendor wishes to submit.
4. No appeal shall be made under this policy on the grounds that the prospective vendor was not determined to be a responsible bidder.

C. Notice

A notice of appeal shall be filed by mailing the notice to the Executive Director at the principal office of the Executive Director in Indianapolis by registered or certified mail, return receipt requested, or by delivering the notice of appeal to the principal office of the Executive Director in Indianapolis. Filing by registered or certified mail shall be effective upon mailing.

D. Executive Director's Review of an Appeal

The Executive Director shall issue a decision on a claim within thirty (30) days after the claim was filed, which shall be final. The Executive Director shall state the reasons for denial of any appeal filed under this policy. A copy of the decision shall be mailed by certified or registered mail, return receipt requested, to the entity who filed the claim. The decision may order such relief (if any) as is in the best interests of the Fund. Relief may include, but is not limited to, voiding the selection and redoing the process, and damages.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
SECURITIES LITIGATION POLICY**

Adopted December 17, 2004

Last Restated December 21, 2007

I. STATEMENT OF INTENT

This securities litigation policy of the Board of Trustees of the Public Employees' Retirement Fund (PERF) is established to provide a process for the monitoring of pending legal actions in which PERF is a potential member of a plaintiff's class or otherwise possesses an independent right to a securities law claim. As a fiduciary, PERF has a duty to monitor and evaluate such actions in which it may potentially be a member or participant. This policy contains PERF's process and guidelines for evaluating whether active participation in securities litigation claims should be undertaken by PERF.

II. IDENTIFYING AND EVALUATING POTENTIAL CLAIMS

Claims may generally be identified either by internal portfolio managers and analysts or the class action bar. Experience has shown that the class action bar typically identifies and files actions on almost all claims first. Staff will determine the most expedient method to identify claims in which PERF has an interest. If PERF may qualify to recover, further review by staff will be undertaken to determine if PERF should remain a member of the class or undertake a more active level of participation. Consideration will be given to the following factors:

1. whether PERF holds or held, at the relevant time, more than one percent of the company's outstanding shares;
2. whether PERF is, or was at the relevant time, one of the top 25 shareholders;
3. whether the potential damages arising from PERF's claim could exceed .5% of the CRIF; and
4. any other factor considered relevant by staff conducting the review.

If, after reviewing these factors, staff determines that additional examination is warranted and that the potential exists for PERF to add significant value to the claim by actively participating, or opting out of a potential class of litigants and pursuing a claim independently, review of the potential claim will be referred to an evaluation counsel, in accordance with the process outlined below.

III. EVALUATION COUNSEL

If further evaluation is determined to be warranted, an evaluation counsel may be retained to perform additional due diligence regarding the claim. PERF may retain evaluation counsel through the issuance of an RFP on a case by case basis, or by issuing an RFP that selects any number of firms to be subsequently used in individual cases when a referral to an evaluation counsel is determined to be warranted by staff reviewing a case. Additional due diligence may include, without limitation: assessment of the complaint, SEC filings and company disclosures, contacts with other investors, consideration of non-litigation alternatives, and potential conflicts

with other class members. The evaluation counsel will make a recommendation to the Executive Director, the Chief Investment Officer, and the General Counsel based upon their due diligence as to whether more active participation or opting out of a class action and pursuing a claim independently by PERF would add significant value to any other options for recovery.

IV. STAFF REVIEW AND CONSULTATION WITH INVESTMENT COMMITTEE

Following a review of the potential claim by staff and receipt of the recommendation of the evaluation counsel, the Executive Director, Chief Investment Officer, and the General Counsel will make a formal recommendation to the Board for approval.

V. SELECTION OF SECURITIES LITIGATION COUNSEL

If the Board approves active involvement in a securities litigation claim, an RFP will be issued pursuant to the Investment Procurement Policy to retain appropriate outside counsel to pursue such claims directly on behalf of the Board of Trustees of PERF. The Board shall make a selection of the counsel that the Board deems best able to represent PERF's interests in pursuing such action.

In cases when PERF initiates litigation because it has determined it would be best to work with another institutional investor, staff may recommend, and the Board may conclude, that the most sensible and cost effective source of legal representation will be the PERF General Counsel's Office or the legal counsel representing such institutional investor that PERF wishes to support.

VI. CASE MANAGEMENT

The authority to settle, withdraw from or otherwise terminate a securities litigation matter initiated by PERF pursuant to this Policy rests with the Board, but the Board may delegate such authority to the Executive Director and/or General Counsel.

**ADDENDUM TO
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
RESTATEMENT OF INVESTMENT POLICY FOR
PENSION RELIEF FUND**

Adopted December 8, 2006

Last Restated December 21, 2007

Background

The Board adopted an Investment Policy Statement covering all the Fund's other assets (except for the Pension Relief Fund, the Legislators' Defined Contribution Plan and the Annuity Savings Accounts). This Addendum to the Indiana Public Employees' Retirement Fund Restatement of Investment Policy is intended to assist the Board of Trustees ("Board") of the Indiana Public Employees' Retirement Fund ("Fund") in managing the investment program established for the Pension Relief Fund.

IC 5-10.3-11-1 creates the Pension Relief Fund. It is designed to relieve cities and towns from some of the liability for benefit payments under the 1925 Police Fund, the 1937 Firefighters Fund and the 1953 Police Fund, and is funded through state and local sources. IC 5-10.3-11-3. IC 5-10.3-11-4 establishes the formulas under which distributions are made to cities and towns for benefit payments. The Pension Relief Fund may be commingled with other PERF assets for investment purposes.

I. Application of Investment Policy

With the exception of Section 5 of the Investment Policy Statement, the investment of the Pension Relief Fund remains subject to the other guidelines and requirements found in the Investment Policy Statement.

II. Asset Allocation

Based on the asset/ liability modeling study conducted for PERF assets, including the Pension Relief Fund, the Board has adopted an asset allocation structure of:

Asset Classes	Target Norm	Allowable Range
Equities - S&P 500 Index	30%	25% to 35%
Fixed Income - Intermediate Gov/Credit Index	70%	65% to 75%

III. Rebalancing

The Board has determined that tactical asset allocation in anticipation of expected future market fluctuations is not in the best interest of the Pension Relief Fund. However, differential market returns may from time to time cause the allocation to move outside of the allowable ranges. Therefore, the Board has determined that a systematic and objective reallocation from one class to another is an appropriate activity for ensuring compliance with the asset allocation for the Pension Relief Fund.

Actual asset class values versus target/range values will be evaluated by the Investment Staff and the portfolio will be rebalanced as needed to keep the portfolio within the ranges established in this Addendum.